2015/2016

ANNUAL IDP, BUDGET AND SUPPORTING DOCUMENTATION OF MOGALE CITY LOCAL MUNICIPALITY

ANNUAL BUDGET OF

MOGALE CITY LOCAL MUNICIPALITY

2015/2016 TO 2017/2018
MEDIUM TERM REVENUE AND EXPENDITURE FORECASTS

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Part 1 – Annual Budget

1.1 Introduction

"The core services that local government provides - clean drinking water, sanitation, electricity, waste removal and roads - are basic human rights, essential components of the right to dignity enshrined in our Constitution and Bill of Rights. Our vision of developmental local government was that it would be the building block on which the construction and development of our country and society was built, a place in which the citizens of our country could engage in a meaningful and direct way with the institutions of the state. Local government is where most citizens interface with government, and its foundational ethos must be about serving people.

Local government has been a primary site for the delivery of services in South Africa since 1994. We have made tremendous progress in delivering water, electricity, sanitation and refuse removal at a local level. These rates of delivery are unprecedented in world-wide terms.

Yet despite our delivery achievements, it is clear that much needs to be done to support, educate and where needed, enforce implementation of local government's mandate for delivery. The transformation of the local government sector remains a priority for the current administration.
Our National Development Plan makes it clear that meeting our transformation agenda requires functional municipalities and capable machinery at a local level that can create safe and healthy and economically sustainable areas where citizens and people can work, live and socialise".
(Extract from" The Presidential Local Government Summit BACK TO BASICS Serving Our Communities Better!)

What are key performance of Back-to-Basics approach a concept created by Minister of Cooperative Governance & Traditional Affairs Honourable Praven Gordon:

1. **Basic Services: Creating decent living conditions**

   The planning, implementation and maintenance of basic infrastructure is critical for sustaining basic standards of living and economic activity in our towns and cities. Municipalities are required to develop service standards for each service, and establish systems for monitoring adherence to these standards. Municipalities are required to report on ward-level service delivery plans. Municipalities are expected to perform the following basic activities, and the performance indicators will measure the ability of municipalities to do so:
   • Develop fundable consolidated infrastructure plans.
   • Ensure infrastructure maintenance and repairs to reduce losses with respect to:
     - ✓ Water and sanitation.
     - ✓ Human Settlements.
     - ✓ Electricity.
     - ✓ Waste Management.
     - ✓ Roads.
     - ✓ Public Transportation.

   • Ensure the provision of Free Basic Services and the maintenance of Indigent register.

2. Good Governance

Good governance is at the heart of the effective functioning of municipalities. These simple basics should be carried out by all municipalities:

- The holding of Council meetings as legislated,
- The functionality of oversight structures, s79 committees, audit committees and District IGR Forums,
- The existence and efficiency of Anti-Corruption measures,
- The extent to which there is compliance with legislation and enforcement of by-laws,
- The rate of service delivery protests and approaches to address them.

3. Public Participation

Municipalities must develop affordable and efficient communication systems to communicate regularly with communities and disseminate urgent information. The basic measures to be monitored:

- The existence of the required number of functional Ward committees.
- The number of effective public participation programmes conducted by Councillors.
- The regularity of community satisfaction surveys carried out.

4. Financial Management

Sound financial management is integral to the success of local government, National Treasury has legislated standards and reporting requirements that municipalities should adhere to. Performance against the following basic indicators to be monitored regularly:

- The number of disclaimers in the last three to five years.
- Whether the budgets are realistic and based on cash available.
- The percentage revenue collected.
- The extent to which debt is serviced.
- The efficiency and functionality of supply chain management.

5. Institutional Capacity

There has to be a focus on building strong municipal administrative systems and processes. It includes ensuring that administrative positions are filled with competent and committed people whose performance is closely monitored. Targeted and measurable training and capacity building to be provided for Councillors and municipal officials so that they are able to deal with the challenges of local governance as well as ensuring that scarce skills are addressed through bursary and training programmes. The basic requirements to be monitored include:

- Ensuring that the top six posts (Municipal Manager, Finance, Infrastructure, Corporate Services, Community development and Development Planning) are filled by competent and qualified persons.
- That the municipal organograms are realistic, underpinned by a service delivery model and affordable.

- That there are implementable human resources development and management programmes.
- There are sustained platforms to engage organised labour to minimise disputes and disruptions.
- Importance of establishing resilient systems such as billing.
- Maintaining adequate levels of experience and institutional memory.

Mogale City for the past seven years under the current administration has been implementing these back-to-basics key performance requirements. This has been proven by achieving clean audit during 2013/14 financial year. The goal is to enhance and build a strong environment where sustainable performance is achieved and aimed at improving quality service delivery for all people within Mogale City.

Budgeting is primarily about the choices that the municipality has to make between competing priorities and fiscal realities. The challenge is to do more with the available resources. The need to remain focused on the effective delivery of the core municipal services through the application of efficient and effective service delivery mechanisms is vital.

During the 2015/2016 financial year we hope to raise R2 249 520 583 in billed revenue and operational grants, excluding capital grants of R141 156 740. Of the R2 390 677 323 revenue anticipated R2 593 074 690 will be spent on operational budget to deliver services like water, electricity distribution, sanitation and sewerage and refuse removal. The rest amounting R293 360 149 will be spent on capital budget to achieve the following objectives.

1. To provide sustainable services to the community.
2. To promote sustainable environmental management.
3. To provide sustainable governance to the local communities.
4. To ensure sustainable governance practices within the Municipality.

In compiling this 2015/2016 annual budget was in line with the Strategic Plan which was revised in March 2015, reconciled with the IDP and MFMA Circular No.75 and 75a. On operational budget however some of the items like bulk purchases and employee related costs are predetermined.

1.2 Recommended to the Municipal Council

1. That the annual IDP, Budget of Mogale City Local Municipality for the financial year 2015/16 and the indicative estimates for the two projected outer years 2016/17 and 2017/18, as set out in the schedules listed below be **adopted and** approved:

1.1. The annual IDP, Budget of the municipality for the financial year 2015/16 and the multi-year and single year capital appropriations as set out in the following tables:
   1.1.1. Budgeted Financial Performance (revenue and expenditure by standard classification) as contained in Table 15 **(MBRR Table A2**) on page 37;
   1.1.2. Budgeted Financial Performance (revenue and expenditure by municipal vote) as contained in Table 16 **(MBRR Table A3)** on page 39;
   1.1.3. Budgeted Financial Performance (revenue by source and expenditure by type) as contained in Table 18 **(MBRR Table A4**) on page 41; and
   1.1.4. Multi-year and single-year capital appropriations by municipal vote and standard classification and associated funding by source as contained in Table 19 (**MBRR Table A5)** on page 44.

1.2. The financial position, cash flow budget, cash-backed reserve/accumulated surplus, asset management and basic service delivery targets be adopted and approved as set out in the following tables:

   1.2.1. Budgeted Financial Position as contained in Table 20 (**MBRR Table A6)** on page 46;
   1.2.2. Budgeted Cash Flows as contained in Table 21 **(MBRR Table A7)** on page 48;
   1.2.3. Cash backed reserves and accumulated surplus reconciliation as contained in Table 22 **(MBRR Table A8)** on page 48;
   1.2.4. Asset management as contained in Table 23 **(MBRR Table A9)** on page 50;
   1.2.5. Basic service delivery measurement as contained in Table 24 (**MBRR Table A10)** on page 52.

2. The Council of Mogale City Local Municipality, acting in terms of Section 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) adopts and approves the following tariffs:
2.1. the tariffs for electricity – as set out in Schedule 3 on pages 80-83
2.2. the tariffs for the supply of water – as set out in Schedule 3 on pages 84-86
2.3. the tariffs for sanitation services – as set out in Schedule 3 on page 87
2.4. the tariffs for property rates – as set out in Schedule 3 on page 88
2.5. the tariffs for solid waste removal – as set out in Schedule 3 on pages 89-90

3. The Council of Mogale City Local Municipality, acting in terms of Section 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) adopts and approves the tariffs for other services, as set out in Schedule 3 on pages 91-106 respectively.

4. The Council of Mogale City Local Municipality, in terms of Section 5 of the Local Government: Municipal Property Rates Act (Act 6 of 2004) approves the reviewed rates policy for consideration.

5. The Council of Mogale City Local Municipality, in terms of Section 6 of the Local Government: Municipal Property Rates Act (Act 6 of 2004) adopts the rates By-laws to give effect to the rates policy.

6. That the re-scheduling of capital projects funded by DBSA loan approved by council during 2014/15 financial year to the value of R37 269 071 be rolled-over to 2015/16 financial year be adopted and approved.

7. That the Council of Mogale City Local Municipality approves the following budget related policies:
    1. Annexure 1: Property Rates Policy
    2. Annexure 2: Property Rates By-Laws
    3. Annexure 3: Borrowing Policy
    4. Annexure 4: Budget Management Policy
    5. Annexure 5: Adjustment Budget Policy
    6. Annexure 6: Cash Management & Investment Policy
    7. Annexure 7: Long Term Planning Policy
    8. Annexure 8: Credit Control & Debt Collection Policy
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    10. Annexure 10: Unauthorised Irregular Fruitless & Wasteful Expenditure Management
    11. Annexure 11: 1% Social Responsibility Policy
    12. Annexure 12: Supply Chain Management Policy
    13. Annexure 13:Waste Management Tariff Policy
    14. Annexure 14: Asset Management of Immovable Policy
    15. Annexure 15: Virement Policy

8. That the following budget related policies be noted as were approved during the past financial years and remain in force for the 2015/2016 financial year:

    1. Write Off Policy
    2. Sports & Recreation Facilities Tariff Policy
    3. General Tariff Policy
    4. Funding & Reserves Policy
    5. Directives for Deviations from the normal SCM Process
    6. Public Safety Tariff Policy
    7. Development Contribution for Engineering Services Policy
    8. Water Services By-laws

1.3 Executive Summary

"The 2015 Budget Review notes that the global economic outlook has weakened and the pattern of slow growth is likely to persist, with consequences for all developing economies. South Africa's gross domestic product (GDP) forecast for 2015 has also been revised down. The National Treasury projects GDP growth of 2 per cent in 2015, rising to 3 per cent by 2017. Average growth over the forecast period is 0.4 percentage points lower than at the time of the 2014 Medium Term Budget Policy Statement. Inadequate electricity supply, however, will impose a serious constraint on output and exports over the short term.

The slowdown in economic growth since 2012 has highlighted structural constraints in the domestic economy. Achieving faster sustainable growth and large-scale job creation will require structural shifts in the economy, stronger supply-side value chains, higher exports, and moderation in wage increases and, crucially, growing private-sector investment based on confidence in the long-term business environment".(MFMA Circular No.75)

The state of the economy has an adverse effect on the consumers. As a result municipalities' revenues and cash flows are expected to remain under pressure. Furthermore municipalities should carefully consider affordability of tariff increases, especially as it relates to domestic consumers while considering the level of services versus the associated cost. Therefore the application of sound financial management principles for the compilation of the City's financial plan is essential and critical to ensure that the City remains financially viable and that municipal services are provided sustainably, economically and equitably to all communities.

The City will continue with its revenue enhancement project vigorously on implementing a range of revenue collection strategies to optimize the collection of debt owed by consumers.

National Treasury's MFMA Circular No. 51, 54, 55, 58, 66, 67, 70 , 72, 75 & 75a were used to guide the compilation of the 2015/2015 MTREF.

The main challenges experienced during the compilation of the 2015/2016 MTREF can be summarised as follows:

- The on-going difficulties in the national and local economy;
- Securing the health of the asset base (especially the revenue generating assets) by increasing spending on repairs and maintenance and renewal of assets;
- Protecting the poor;
- Ensuring that drinking water and waste water management meets the required quality standards at all times;
- The need to reprioritise projects and high expenditure rate within the existing resource envelope given the cash flow realities and declining cash position of the municipality;
- The increased cost of bulk water and electricity (due to tariff increases from Rand Water and Eskom), which is placing upward pressure on service tariffs to residents. Continuous high tariff increases are not sustainable - as there will be point where services will no-longer be affordable;
- The need to fill critical vacancies with limited resources;
- Affordability of own funded capital projects – original allocations had to be reduced during the current year's adjustment budget and needed to be factored into the budget as part of the 2015/2016 MTREF process and new projects had to be scaled down to be within affordability.
- **The need to reflect costs reflective tariffs for Water with double digit increase from Rand Water of 13.5 per cent.**
- **The effect of correcting electricity tariffs to be in line with NERSA approved tariffs for 2014/15 financial year translating into a loss of R38 257 425.**
- **The urgent need during 2015/16 financial year to build cash reserves to fund own capital projects.**

- **Tabling a surplus budget: As per MFMA Circular 72: "**National Treasury has consistently urged municipalities to table and adopt a surplus operating statement of financial performance. Through the in-year reporting framework it has been observed that a direct correlation exists between municipalities that adopt a deficit position on the statement of financial performance and that of cash and liquidity challenges. In addition, many municipalities are increasingly becoming dependent on grants to fund their budgets as no operating surpluses are generated to supplement the capital programme. **Consequently all municipalities are required to adopt a surplus position on the statement of financial performance".**

The following budget principles and guidelines directly informed the compilation of the 2015/2016 MTREF:

- The 2014/2015 Adjustments Budget priorities and targets, as well as the request from Departments based on the five year plan adopted by council and 2013/2014 audited outcome on certain line items.

- **Tariffs need to remain or move towards being cost reflective, and should take into account the need to address infrastructure backlogs. Mogale City has started a process of restructuring the tariffs for utility services for instance water, due to high proposed water tariff increase from Rand Water Mogale City added 2 per cent increase in the approved tariff by Rand Water of 13.5 per cent to cover maintenance of water plants to sustain the continuity of providing water to Mogale City citizen.**

- **There will be no budget allocated to national and provincial funded projects unless the necessary grants to the municipality are reflected in the national and provincial budget and have been gazetted as required by the annual Division of Revenue Act.**

- **The cost containment measures must be implemented to eliminate waste, reprioritise spending and ensure savings on six focus areas namely, consultancy fees, no credit cards, travel and related costs, advertising, catering and event costs as well as costs for accommodation. Municipalities were strongly urged to take note of the cost containment measures as approved by Cabinet and align their budgeting policies to these guidelines to the maximum extent possible.**

In view of the aforementioned, the following table is a consolidated overview of the proposed 2015/2016 Medium-term Revenue and Expenditure Framework:

Table 1 Consolidated Overview of the 2015/2016 MTREF

R thousand	2013/2014 Audited Outcome	Approved Adjustments Budget 2014/2015	Budget Year 2015/16	Budget Year +1 2016/2017	Budget Year +2 2017/2018
Total Operating Revenue (including capital transfers)	2 111 652 812	2 154 497 651	2 390 677 323	2 568 622 008	2 822 397 152
Total Operating Expenditure	2 175 315 784	2 447 307 412	2 593 074 690	2 759 392 717	2 982 368 553
Surplus(/Deficit) after Capital Transfers	**(63 662 972)**	**(292 809 761)**	**(202 397 367)**	**(190 770 709)**	**(159 971 401)**
Total Capital Expenditure	241 823 244	461 909 368	293 360 149	201 968 955	216 352 983
Total Consolidated Budget	**2 417 139 028**	**2 909 216 780**	**2 886 434 838**	**2 961 361 672**	**3 198 721 536**

Total operating revenue has grown by 11 per cent or R236 179 672 for the 2015/2016 financial year when compared to the 2014/2015 Adjustments Budget. For the two outer years, operational revenue will increase by 7 per cent and 10 per cent respectively, equating to a total revenue growth of R667 899 501 over the MTREF when compared to the 2014/2015 adjustment budget.

Total operating expenditure for the 2015/2016 financial year has been appropriated at R2 593 074 690 and translates into an operating budgeted deficit of **R202 397 367**. This operating deficit is a non-cash deficit due to non-cash items like debt impairment, depreciation, year-end provisions and municipal charges of about **R512 172 164**. **This deficit remains a challenge for municipality as it affects our liquidity position.**

When compared to the 2014/2015 Adjustment Budget, operational expenditure has grown by 6 per cent in the 2015/2016 budget and by 6 and 8 per cent for each of the respective outer years of the MTREF.

The capital budget of R293 360 149 for 2015/2016 is 36 per cent less when compared to the 2014/2015 Adjustment Budget. **Own funded capital projects were decreased drastically due to affordability. A substantial portion about R92 848 779 of own funded capital projects can only be implemented during 2016/17 and 2017/2018 financial years or during 2015/16 adjustment budget provided funds are available.** Own funding contributes 36 per cent in 2015/2016, when government grants & transfers and borrowing that are being rolled over are excluded. The balance will be funded from government grants both national & provincial at 48 per cent, unspent donor funds from European Union and 13 per cent of DBSA loan roll over.

1.4 Operating Revenue Framework

For Mogale City to continue improving the quality of services provided to its citizens it needs to generate the required revenue. In these tough economic times strong expenditure management and revenue management is fundamental to the financial sustainability of every municipality. The reality is that we are faced with development backlogs, unemployment, poverty and old infrastructure assets. **The expenditure required to address these challenges will inevitably always exceed available funding; hence difficult choices have to be made in relation to tariff increases and balancing expenditures against realistically anticipated revenues.**

The revenue base for the City for other main tariffs excluding electricity, water and sanitation have increased by 6 per cent growth.

The municipality's revenue strategy is built around the following key components:

- National Treasury's guidelines and macroeconomic policy;
- Growth in the City and continued economic development;
- Efficient revenue management, which aims to ensure a 96 per cent annual collection rate for property rates and other key service charges;
- Electricity tariff increases of 12.2 per cent still to be approved by the National Electricity Regulator of South Africa (NERSA);
- Water tariffs increase of 13.5 per cent proposed by Rand Water still to be approved by Parliament;
- Sanitation tariff increase of 12 per cent,
- Achievement of full cost recovery of specific user charges especially in relation to trading services;
- The municipality's Property Rates Policy approved in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA);
- Impact of Census 2011;
- Increase ability to extend new services and recover costs;
- The municipality's Indigent Policy and rendering of free basic services; and
- Tariff policies of the City.

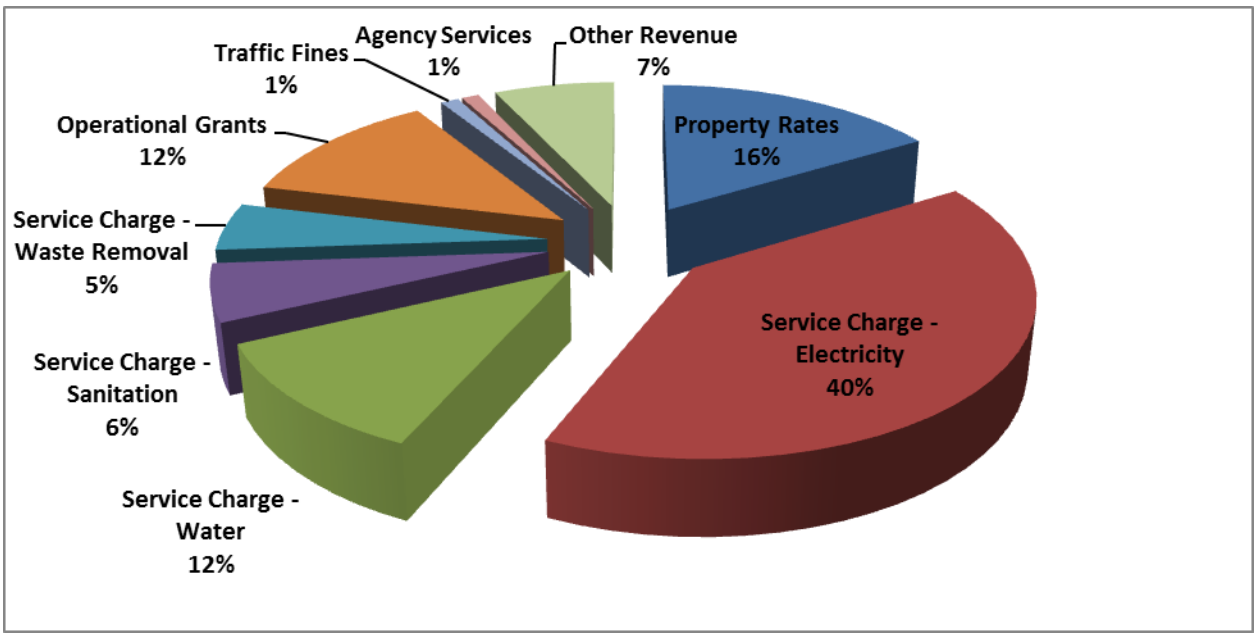


Figure 1 Main operational revenue categories

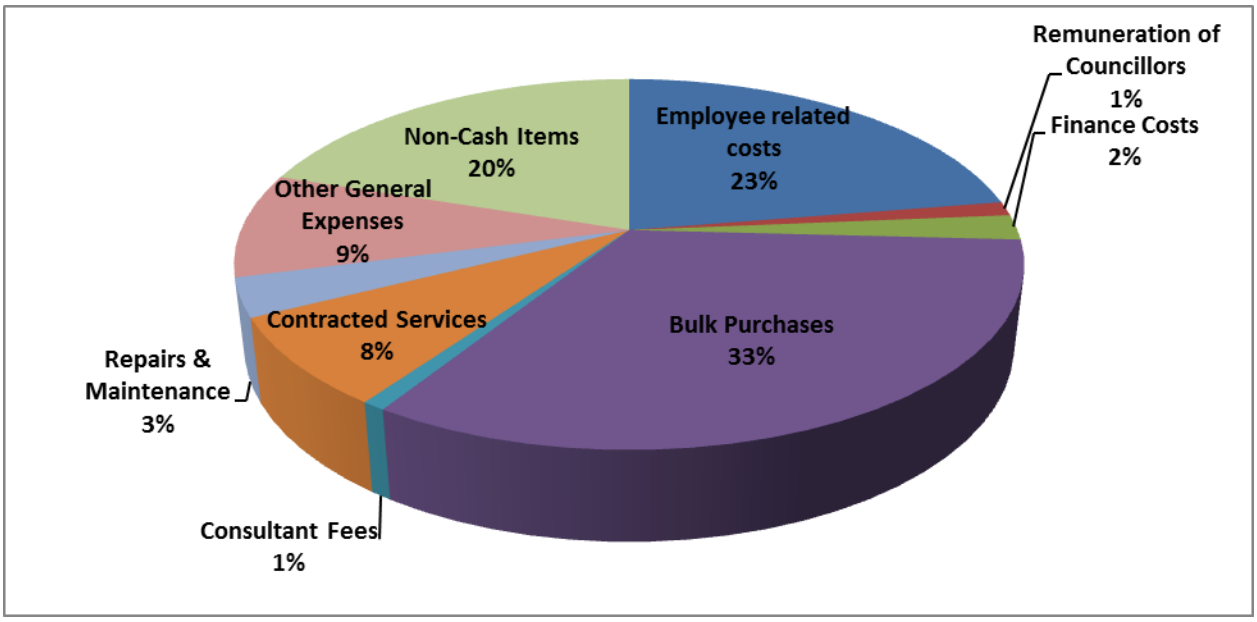


Figure 2 Main operational expenditure categories

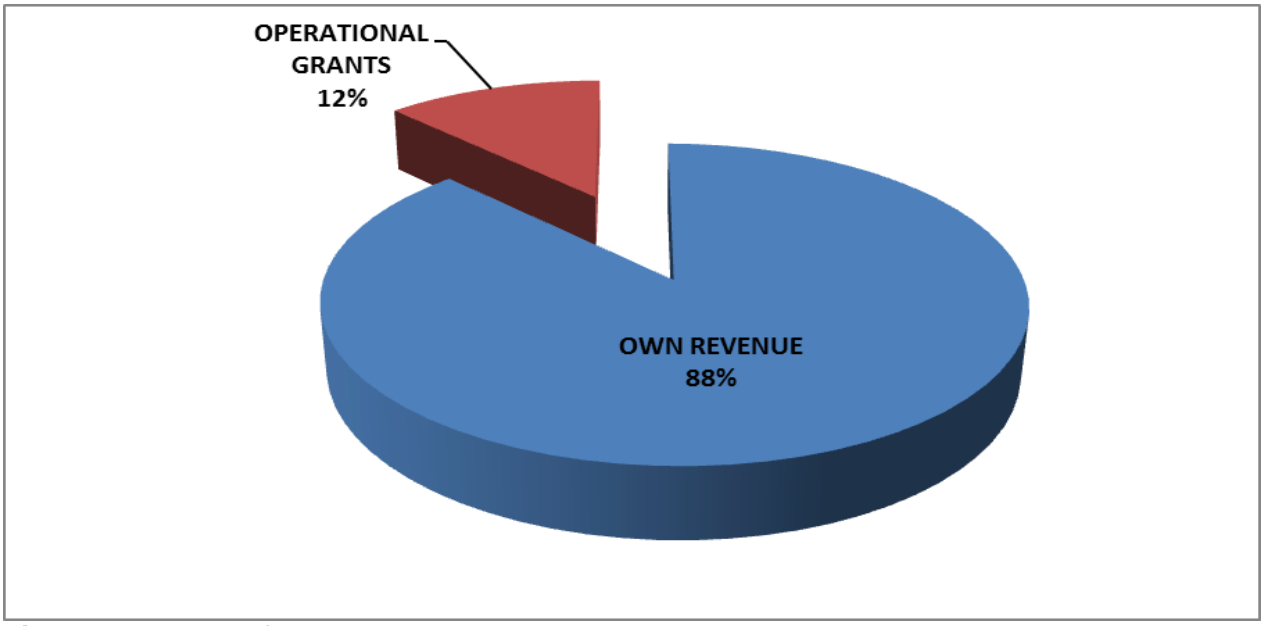


Figure 3: Source of revenue

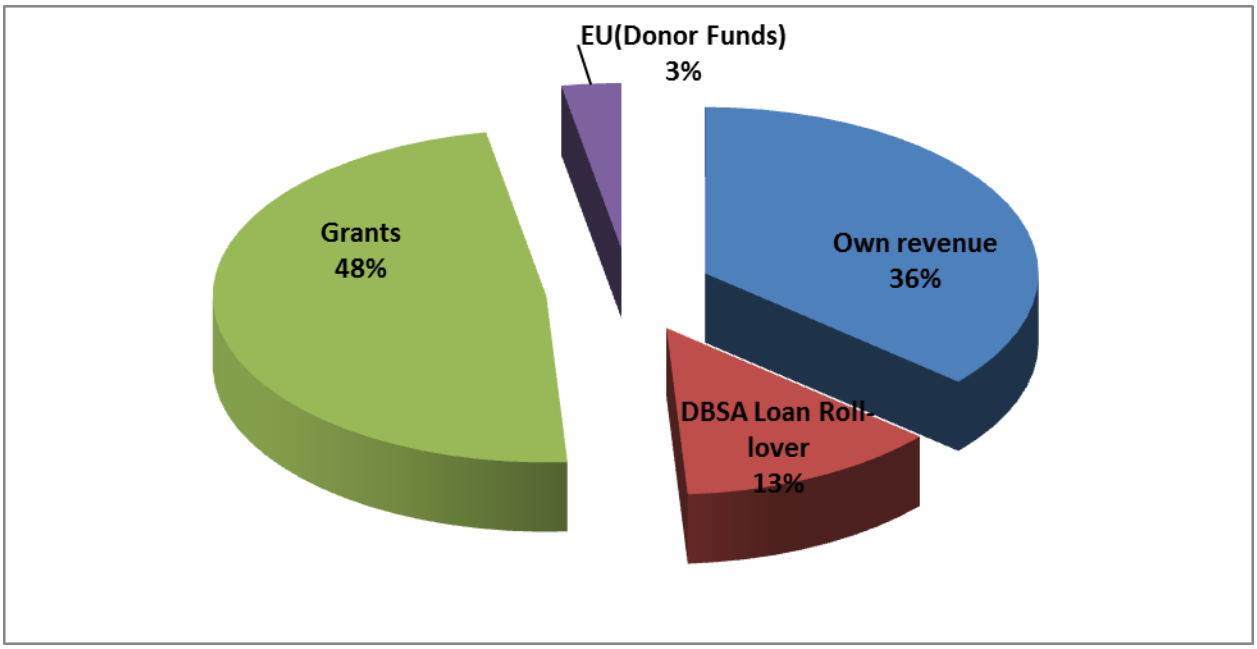


Figure 4: Capital Funding

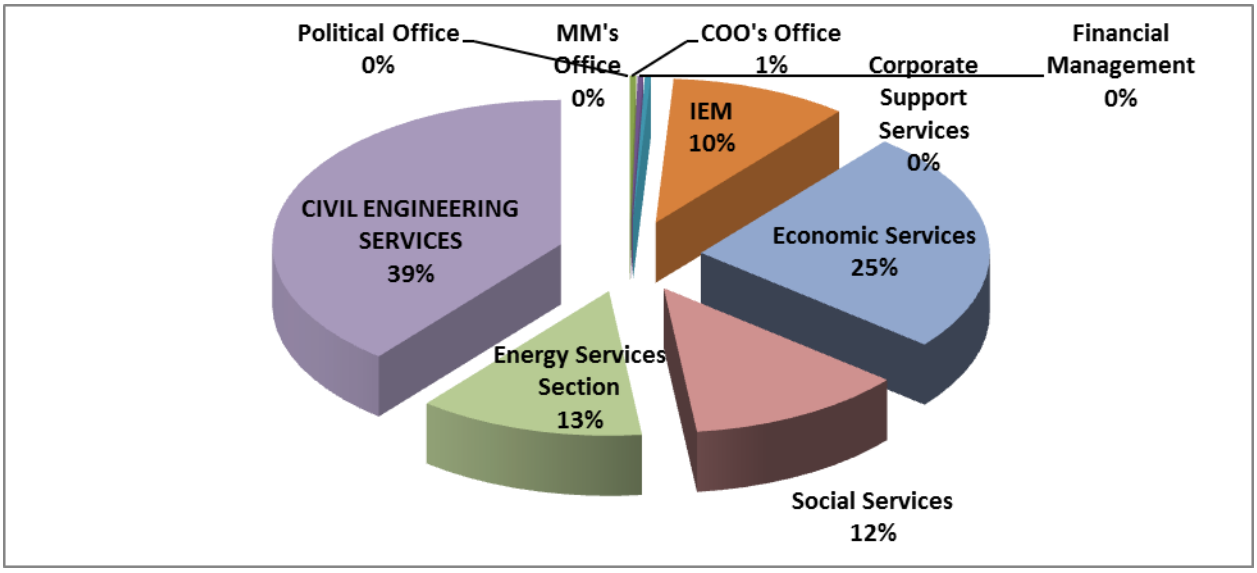


Figure 5: Capital budget per votes/departments

The following table is a summary of the 2015/2016 MTREF (classified by main revenue source):

Table 2 Summary of revenue classified by main revenue source

Description	2011/12	2012/13	2013/14	Current Year 2014/15				2015/16 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year +1 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
Revenue By Source										
Property rates	247 753	272 542	308 723	316 406	347 652	347 652	347 652	368 044	388 286	408 865
Property rates- Penality imposed and collection charges	12 747	20 863	32 035	32 486	25 310	25 310	25 310	26 828	28 304	29 804
Service charges - electricity revenue	619 676	695 821	723 268	833 172	825 404	825 404	825 404	904 354	1 014 685	1 138 477
Service charges - water revenue	169 389	187 195	193 750	229 868	222 567	222 567	222 567	257 065	291 768	331 157
Service charges - sanitation revenue	85 741	94 007	105 155	111 476	117 890	117 890	117 890	132 037	145 241	159 765
Service charges - refuse revenue	76 556	91 131	100 636	105 544	104 130	104 130	104 130	110 378	116 449	122 621
Rental of facilities and equipment	3 149	2 821	2 969	3 508	3 252	3 252	3 252	3 447	3 637	3 830
Interest earned - external investments	4 717	13 598	12 659	1 468	5 839	5 839	5 839	6 000	6 330	6 665
Interest earned - outstanding debtors	10 202	10 349	14 518	13 732	32 299	32 299	32 299	34 237	36 120	38 035
Dividends received	13	-	34	-	-	-	-	-	-	-
Fines	11 036	10 487	170 003	23 522	23 522	23 522	23 522	23 522	24 816	26 131
Licences and permits	23	17	28	24	22	22	22	23	24	26
Agency services	18 999	24 950	21 408	24 950	21 408	21 408	21 408	22 692	23 940	25 209
Transfers recognised - operational	213 806	239 980	236 923	250 984	253 630	253 630	253 630	274 720	303 035	332 388
Other revenue	187 612	73 392	78 125	52 167	53 322	53 322	53 322	36 173	29 195	30 742
Gains on disposal of PPE	22 237	-	6 311	2 000	-	-	-	50 000	-	-
Total Revenue (excluding capital transfers and contributions)	**1 683 657**	**1 737 151**	**2 006 544**	**2 001 308**	**2 036 248**	**2 036 248**	**2 036 248**	**2 249 521**	**2 411 831**	**2 653 715**

Table 3 Percentage growth in revenue by main revenue source

Description R thousand	Current Year 2014/2015		2015/16 Medium Term Revenue & Expenditure Framework					
	Adjusted Budget	%	Budget Year 2015/16	%	Budget Year +1 2016/17	%	Budget Year +2 2017/18	%
Property rates	347 652	17%	368 044	16%	388 286	16%	408 865	15%
Service charges - electricity revenue	825 404	41%	904 354	40%	1 014 685	42%	1 138 477	43%
Service charges - water revenue	222 567	11%	257 065	11%	291 768	12%	331 157	12%
Service charges - sanitation revenue	117 890	6%	132 037	6%	145 241	6%	159 765	6%
Service charges - refuse revenue	104 130	5%	110 378	5%	116 449	5%	122 621	5%
Service charges – other	25 310	1%	26 828	1%	28 304	1%	29 804	1%
Rental of facilities and equipment	3 252	0%	3 447	0%	3 637	0%	3 830	0%
Interest earned - external investments	5 839	0%	6 000	0%	6 330	0%	6 665	0%
Interest earned – outstanding debtors	32 299	2%	34 237	2%	36 120	1%	38 035	1%
Fines	23 522	1%	23 522	1%	24 816	1%	26 131	1%
Licences and permits	22	0%	23	0%	24	0%	26	0%
Agency services	21 408	1%	22 692	1%	23 940	1%	25 209	1%
Transfers recognised - operational	253 630	12%	274 720	12%	303 035	13%	332 388	13%
Other revenue	53 322	3%	86 173	4%	29 195	1%	30 742	1%
Total Revenue (excluding capital transfers and contributions)	**2 036 248**	**100%**	**2 249 521**	**100%**	**2 411 831**	**100%**	**2 653 715**	**100%**
Total revenue from rates and service charges	**1 617 644**	**79%**	**1 771 877**	**79%**	**1 956 429**	**81%**	**2 160 885**	**81%**

In line with the formats prescribed by the Municipal Budget and Reporting Regulations, capital transfers and contributions are excluded from the operating statement, as inclusion of these revenue sources would distort the calculation of the operating surplus/deficit.

Revenue generated from rates and services charges forms a significant percentage of the revenue basket for Mogale City. Rates and service charge revenues comprise 81 per cent of the total revenue mix during 2015/16 financial year. In the 2014/15 financial year, revenue from rates and services charges totalled R1 617 644 billion or 79 per cent. This increases to R1 771 877 billion, R1 956 429 billion and R2 160 885 billion in the respective financial years of the MTREF. A notable trend is the increase in the total percentage revenue generated from rates and services charges which increases from 79 per cent in 2014/15 Adjustment Budget to 81 per cent in 2017/18 financial year. This growth can be mainly attributed to the increased share that the sale of electricity contributes to the total revenue mix, which in turn is due to rapid increases in the Eskom tariffs for bulk electricity over the years and water tariffs. The above table includes revenue foregone arising from discounts and rebates associated with the tariff policies of the Municipality.

Property rates is the second largest revenue source totalling 17 per cent or R368 044 million rand and increases to R408 865 million by 2017/18. The third largest sources (besides other service charges) is transfer recognised-operational and fourth largest is 'other revenue' which consists of various items such as income received from rental of facilities, traffic fines, income from agency fees, building plan fees, connection fees, cemetery fees and advertisement fees. Departments have been urged to review the tariffs of these items on an annual basis to ensure they are cost reflective and market related.

Operating grants and transfers totals R274 720 million in the 2015/16 financial year an increase of 8 per cent when compared to 2014/15 Adjustment Budget and steadily increases to R332 388 million by 2017/18. Fiscal constraints mean that transfers to municipalities will grow more slowly in the period ahead than they have in the past. Note that the year-on-year growth remains constant at 13 per cent over the MTREF.

The following table gives a breakdown of the various operating grants and subsidies allocated to the municipality over the medium term:

Table 4 Operating Transfers and Grant Receipts

Description	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
EXPENDITURE:									
Operating expenditure of Transfers and Grants									
National Government:	**190 724**	**216 138**	**229 221**	**244 839**	**244 839**	**244 839**	**265 305**	**291 874**	**323 746**
Local Government Equitable Share	186 224	210 117	222 291	238 641	238 641	238 641	259 185	286 333	317 887
Finance Management	1 250	1 250	1 300	1 450	1 450	1 450	1 450	1 475	1 550
Municipal Systems Improvement	800	1 000	783	-	-	-	-	-	-
EPWP Integrated Grant	386	2 000	2 873	2 052	2 052	2 052	1 266	-	-
MIG (PMU)	2 064	1 771	1 974	2 696	2 696	2 696	3 404	4 066	4 309
Provincial Government:	**6 198**	**6 654**	**5 030**	**6 145**	**7 720**	**7 720**	**6 513**	**8 100**	**5 413**
Sport and Recreation	4 245	3 706	3 623	4 386	4 481	4 481	6 513	8 100	5 413
Seta- Training	1 759	1 295	1 407	1 759	1 759	1 759	-	-	-
GDACE:Bontle ke Botho	194	-	-	-	-	-	-	-	-
DLGH:ALOECAP Project	-	1 653	-	-	-	-	-	-	-
GDARD: Environmental Planning & Impact Assessment	-	-	-	-	1 480	1 480	-	-	-
District Municipality:	**1 273**	**2 290**	**2 672**	**-**	**1 071**	**1 071**	**2 902**	**3 061**	**3 230**
HIV & AIDS	1 273	2 290	2 672	-	1 071	1 071	2 902	3 061	3 230
Total operating expenditure of Transfers and Grants:	**198 195**	**225 081**	**236 923**	**250 984**	**253 630**	**253 630**	**274 720**	**303 035**	**332 388**

Tariff-setting is a pivotal and strategic part of the compilation of any budget. **When rates, tariffs and other charges were revised local economic conditions, salary and wage increases, other input costs of services provided by the municipality**, the municipality's indigent policy and the affordability of services were taken into account to ensure the financial sustainability of the City.

The percentage increases of both Eskom and Rand Water bulk tariffs are beyond the mentioned inflation target. Given that these tariff increases are determined by external agencies, the impact they have on the municipality's electricity and in these tariffs are largely outside the control of the City.

The revenue base for the City for Electricity, Water and Sanitation has increased by 2 per cent growth indicating an increase that is more than the tariff increase.

The Eskom price increase of bulk electricity supplied to municipalities will increase by 14.24 per cent on 01st July 2015.

On the 29 January 2015, NERSA approved and published guidelines on municipal electricity price increase for the 2015/16 financial year. A guideline increase of **12.20 per cent** has been approved based on the following assumptions:

- Bulk purchases have increased by 14.24 per cent in line with Eskom's electricity tariff increase to municipalities;
- A consumer price index (CPI) of 6.3 per cent as indicated in the Medium Term Budget Policy Statement (MTBPS) 2014;
- Salary and wage increases; and
- Repairs and maintenance, capital charges and other costs have increased by the CPI. **(MFMA Circular No.75).**

If any further increase to the bulk electricity tariff for 2015/16 is approved by NERSA, municipalities should make corresponding adjustments to their municipal electricity tariff structures as part of their budgets for the 2015/16 MTREF. **The budgets tabled in municipal councils by 31 May 2015 (as required by the MFMA) must fully account for the final bulk price increases approved by NERSA and be incorporated into electricity tariff structures.** Provision for free basic electricity to poor households should be protected in the municipal budget as part of electricity tariff structuring. **(MFMA Circular No.75a)**

Rand Water has notified municipalities that during the consultation process there was no consensus by all the municipalities to add 1 per cent to the tariff increment for water demand management. Rand Water therefore did not include the 1 per cent for water demand management in its tariff increment. This water demand management tariff increase portion seeks to address significant non-revenue water by local municipalities. Therefore, the new tariff as gazetted in Parliament on the 13th March 2015 is 13.5 per cent. In terms of the Water Research Act, Act 34 of 1971, Rand Water must collect the Water Research Levy which is not part of Rand Water's tariff for payment to the Water Research Commission (WRC). Rand Water will inform municipalities in due course about the 2015/16 WRC tariff increase as soon as it has been gazetted.

It must also be note that Mogale City's water tariffs are not cost reflective, we are purchasing water from Rand Water at a higher price then sell to customers at low price. **The current challenge facing Mogale City is managing the gap between cost drivers and tariffs levied, as any shortfall must be made up by either operational efficiency gains or service level reductions.**

Within this framework the municipality has undertaken the tariff setting process relating to service charges as follows:

1.4.1 Property Rates

Property rates cover the cost of the provision of general services. Determining the effective property rate tariff is therefore an integral part of the municipality's budgeting process.

National Treasury's MFMA Circular No. 51 deals, inter alia with the implementation of the Municipal Property Rates Act, with the regulations issued by the Department of Cooperative Governance. MFMA Budget Circular 72 for the 2014/15 MTREF encourages municipalities ***"to keep increases in rates, tariffs and other charges at levels that reflect an appropriate balance between the interests of poor household, other customers and ensuring the financial sustainability of the municipality"***
The categories of rate-able properties for purposes of levying rates and the proposed rates for the 2015/16 financial year based on a **6 per cent** increase from 01st July 2015 is contained below:

Table 5 Proposed rates to be levied for the 2015/2016 financial year

Category	Current Tariff (1 July 2014)	Proposed tariff (from 1 July 2015)	Increase
	c	c	%
Residential properties	0.01222	0.01295	6%
State Owned Properties Residential	0.01222	0.01295	6%
Business & Commercial	0.02443	0.02590	6%
Agricultural	0.00313	0.00332	6%
Agricultural-Residential	0.01222	0.01295	6%
Agricultural-Business	0.02443	0.02590	6%
Education Institution	0.01222	0.01295	6%
Sectional title-Residential	0.01222	0.01295	6%
Sectional title-Industrial	0.02443	0.02590	6%
Sectional title-Business	0.02443	0.02590	6%
Public Benefit Organization	0.01222	0.01295	6%
Industrial	0.02443	0.02590	6%
Religious	0.01222	0.01295	6%
Public Service Infrastructure (PSI)	0.01222	0.01295	6%
Public Open Space (Municipal)	0.01243	0.01318	6%
Private Open Space	0.01243	0.01318	6%
Special Use	0.02238	0.02372	6%

1.4.2 Sale of Water and Impact of Tariff Increases

South Africa faces similar challenges with regard to water supply as it did with electricity, since demand growth outstrips supply and high percentage of water losses. Mogale City is facing similar dilemma as any municipality in our Country. Consequently, **National Treasury is encouraging all municipalities to carefully review the level and structure of their water tariffs to ensure:**

- Water tariffs are fully cost-reflective – including the cost of maintenance and renewal of purification plants, water networks and the cost associated with reticulation expansion;
- Water tariffs are structured to protect basic levels of service and ensure the provision of free water to the poorest of the poor (indigent); and
- Water tariffs are designed to encourage efficient and sustainable consumption.

Mogale City has developed a cost reflective model to decide a pricing strategy to phase-in the necessary tariff increase in a manner that spreads the impact on consumers over a period of time.

National Treasury encourages municipalities to put in place an appropriate strategy to limit water losses to acceptable levels and furthermore Rand Water will work together with municipalities to assist on water demand management. **Water losses in 2013/14 audited financial statements was 44 per cent, this includes 15 per cent of apparent losses.** Infrastructure Department has developed a strategy to curb these high water losses.

The reality is that water loss interventions are not an overnight process whereby you are able to make a meaningful impact within the shortest period of time.
It is to be understood that all the steps taken by the City in addressing the water losses are incrementally making a huge impact in curbing the losses. The efforts will show positive results in good time. Furthermore the interventions are based on best practice not only in Mogale City but in the Water industry.

Better maintenance of infrastructure, new reservoirs construction and cost-reflective tariffs will ensure that the supply challenges are managed in future to ensure sustainability. **The new tariff that has been gazetted by Parliament on the 13th March 2015 is 13.5 per cent.**

A tariff increase of 13.5 per cent from 1 July 2015 for water will be charged by Rand Water however Mogale City is proposing an increase of 15.5 per cent taking into consideration the maintenance of water infrastructure assets. This is based on input cost assumptions of 13.5 per cent increase in the cost of bulk water (Rand Water) and 2 per cent for maintenance to sustain the supply of water. In addition 6 kℓ water per 30-day period will again be granted free of charge to all residents.

A summary of the proposed tariffs for households (residential) and non-residential are as follows:

Table 6 Proposed Water Tariffs

CATEGORY	CURRENT TARIFFS 2014/15	PROPOSED TARIFFS 2015/16	INCREASE
	Rand per kℓ	Rand per kℓ	%
RESIDENTIAL			
(i) 0 to 6 kℓ	0	0	
(ii) 7 to 15 kℓ	13.57	15.68	15.5%
(iii) 16 to 30 kℓ	16.83	19.44	15.5%
(iv) 31 to 45 kℓ	19.59	22.62	15.5%
(v) 46 to 60kℓ	21.60	24.95	15.5%
(vi) 61 kl + above	23.61	27.27	15.5%
Other consumers: Schools, NGO's and Hospitals Per kl	15.72	18.16	15.5%
NON-RESIDENTIAL (Business & Industrial)			
(i) 0 – 500 kℓ	19.62	22.66	15.5%
(ii) 500 + above	14.72	17.01	15.5%

1.4.3 Sanitation and Impact of Tariff Increases

A tariff increase of 12 per cent for sanitation from 1st July 2015 is proposed. **It should be noted that electricity costs contributes approximately 6 per cent of waste water treatment input costs, therefore the higher than CPI increase of 12 per cent for sanitation tariffs and also taking into consideration the maintenance and replacement of old waste water plants.** The following factors also contribute to the proposed tariff increase:

- Free sanitation (100 per cent of 6 kℓ water) will be applicable to registered indigents; and
- The total revenue expected to be generated from rendering this service amounts to R132 million for the 2015/16 financial year.

The following table compares the current and proposed tariffs:

Table 7 Proposed sanitation tariff charges

Category/Land Use (Irrespective of the quantity of water supplied to the premises	CURRENT TARIFFS 2014/2015	PROPOSED TARIFFS 2015/2016	INCREASE
	R	R	%
Additional Sewerage fixed usage 30kl /month	160.17	179.39	12.0%
Basic Charges per m2	0.02	0.03	12.0%
Additional Sewerage for Rietvallei/Lusaka/Ga-Mogale	80.10	89.71	12.0%
Business, School , NGO, Hospital Consumer, additional sewage prior year to date average kl usage/months	5.35	5.99	12.0%
Basic Sewerage Fixed usage 30kl/month : Vacant stand	3.23	3.62	12.0%

1.4.4 Sale of Electricity and Impact of Tariff Increases

The Eskom price increase of bulk electricity supplied to municipalities will increase by 12.2 per cent on 01st July 2015. On the 29 January 2015, NERSA approved and published guidelines on municipal electricity price increase for the 2015/16 financial year. A guideline increase of **12.20 per cent** has been approved based on the following assumptions:

• Bulk purchases have increased by 14.24 per cent in line with Eskom's electricity tariff increase to municipalities;
• A consumer price index (CPI) of 6.3 per cent as indicated in the Medium Term Budget Policy Statement (MTBPS) 2014;
• Salary and wage increases; and
• Repairs and maintenance, capital charges and other costs have increased by the CPI.

It should be noted that the guideline is not an automatic increase in tariffs. Therefore all municipalities with distribution licenses are still required to apply to NERSA for the approval of their tariffs.

Electricity levy increase

During his budget speech on 25 February 2015, the Minister of Finance announced that the electricity levy will be increased by 2 cents per kWh. A special municipal circular will be issued in due course to guide municipalities on the implementation of the 2 cents per kWh electricity levy. In the interim municipalities are advised to use the guideline issued by NERSA to set their tariffs for the 2015/16 financial year.

Registered indigents will again be granted 50 kWh per month free of charge.

Built into Mogale City electricity tariffs for 2015/2016 is a correction necessitated to address such tariffs as approved by NERSA. The category of tariffs affected by the adjustment during 2015/16 is that relating to the Domestic – Single Consumers Pre-paid (37, 91%) and the Domestic Bulk Consumers Low Voltage which has to be adjusted by 3.51%. After several meetings with NERSA it was agreed that where tariffs were inconsistent with those approved for 2014/15, correction would be affected during the 2015/16 financial year in the structuring of those tariffs to ensure that affected consumers receive benefit as a consequence of the previously higher tariff levied. An official press release will be communicated in due course.

The approved budget for the Energy Services can only be utilised for certain committed upgrade projects and to strengthen critical infrastructure (e.g. substations without back-up supply). It is estimated that special funding for electricity bulk infrastructure to the amount of R131 050 million and R224 650 million respectively over MTREF will be necessary to steer the City out of this predicament to be funded from own revenue and grant from Department of Energy.

Table 8 Proposed Electricity Tariffs

Excluding VAT	Tariff Code					2014-2015 MOGALE Implemented Tariffs 2014/2015	2014-2015 NERSA Approved Tariffs 2014/2015	2015-2016 NERSA % Increase/Decrease 2015/16 Tariff Correction	2015-2016 Guideline 12.20% Mogale City Proposed Tariffs Jul 2015 2015/2016	Mogale City % Increase/Decrease 2015/2016
ENVIRONMENTAL ELECTRICITY LEVY		R / kWh Sold				**R 0.0403**	**R 0.0000**	**-100%**	**R 0.0000**	**-100%**
1. Domestic - Single Consumers										
1.1. Pre-Paid										
1.1.1. Pre-Paid: Single Phase										
1.1.1.1. Energy (R/kWh)	0269	kWh Consumption: 1 - 1 000 kWh / Month				R 1.2852	R 1.2852	0.00%	R 1.4420	12.2%
1.1.1.2. Energy (R/kWh)	NEW	kWh Consumption: 1 001 - 1 500 kWh / Month				**R 1.5423**	**R 1.4249**	**-8.24%**	**R 1.4249**	**-8.24%**
1.1.1.3. Energy (R/kWh)	NEW	kWh Consumption: > 1 500 kWh / Month				**R 1.7993**	**R 1.4823**	**-21.39%**	**R 1.4823**	**-21.39%**
Fixed Charge (R/A/CB rating)										
1.1.2. Pre-Paid: Three Phase										
1.1.2.1. Energy (R/kWh)		kWh Consumption: 1 - 1 000 kWh / Month				**R 1.8435**	**R 1.3212**	**-39.53%**	**R 1.3212**	**-39.53%**
1.1.2.2. Energy (R/kWh)	NEW	kWh Consumption: 1 001 - 1 500 kWh / Month				**R 2.2121**	**R 1.4648**	**-51.02%**	**R 1.4648**	**-51.02%**
1.1.2.3. Energy (R/kWh)	NEW	kWh Consumption: > 1 500 kWh / Month				**R 2.5808**	**R 1.5239**	**-69.35%**	**R 1.5239**	**-69.35%**
Fixed Charge (R/A/CB rating)										
1.2. Life Line (Poor Households) (Conventional and Pre-Paid Metering)					350 kWh / Month and 30 Ampere Connection Maximum					
1.2.1. Energy (R/kWh)	0277	kWh Consumption: 51 - 350 kWh / Month				**R 0.9938**	**R 0.9421**	**-5.49%**	**R 0.9421**	**-5.49%**
1.2.2. Energy (R/kWh)	NEW	kWh Consumption: 351 - 500 kWh / Month				**R 1.2919**	**R 1.0430**	**-23.86%**	**R 1.0430**	**-23.86%**
1.2.3. Energy (R/kWh)	NEW	kWh Consumption: 501 - 750 kWh / Month				**R 1.3913**	**R 1.2565**	**-10.73%**	**R 1.2565**	**-10.73%**
1.2.4. Energy (R/kWh)	NEW	kWh Consumption: > 751 kWh / Month				**R 1.5900**	**R 1.4820**	**-7.29%**	**R 1.4820**	**-7.29%**
Fixed Charge (R/A/CB rating)										
1.3. Two-Part										
1.3.1. Energy (R/kWh)	0270					**R 1.0228**	**R 1.0048**	**-1.79%**	**R 1.0048**	**-1.79%**
1.3.2. Fixed Charge (R/A/CB rating) (60A)	0200					R 3.92	R 3.92	0.00%	R 4.40	12.2%
1.4. Two-Part: Time-of-Use										
Energy (R/kWh):										
1.4.1. During Eskom PEAK Times	0236					R 2.2886	R 2.2886	0.00%	R 2.5678	12.2%
1.4.2. During Eskom STANDARD Times	0237					R 1.0639	R 1.0639	0.00%	R 1.1937	12.2%
1.4.3. During Eskom OFF-PEAK Times	0238					R 0.7095	R 0.7095	0.00%	R 0.7961	12.2%
1.4.4. Fixed Charge (R/A/CB rating)	0216					R 3.92	R 3.92	0.01%	R 4.39	12.0%
1.5. FREE Basic Electricity		Poor households - 50 kWh / Month					**R 0.0000**		**R 0.0000**	
2. Domestic - Bulk Consumers Low Voltage			% correction compared to Commercial Tariff							
2.1. Three-Part										
2.1.1. Energy (R/kWh)	240					**R 0.8061**	**R 0.7787**	**-3.52%**	**R 0.7787**	**-3.52%**
2.1.2. Fixed Charge (Rand/Month)	212					R 435.92	R 435.92	0.00%	R 489.10	12.2%
2.1.3. Demand Charge (R/kVA)	241					**R 77.87**	**R 80.61**	**3.40%**	**R 90.44**	**12.2%**
2.1.4. Reactive Energy Charge (R/kvarh)	NEW					R 0.1629	R 0.1629	0.00%	R 0.1828	12.2%
2.2. Time-of-Use:										
2.2.1. Energy Charge (R/kWh)		**Weekdays**	**Saturday**	**Sunday**						
Peak	242	07:00 -10:00 18:00 -20:00	N/A	N/A	High Demand(Jun-Aug)	R 3.2015	R 3.2015	0.00%	R 3.5921	12.2%
	243				Low Demand(Sep-May)	R 0.8942	R 0.8942	0.00%	R 1.0033	12.2%
Standard	244	06:00 -07:00 10:00 -18:00 20:00 -22:00	07:00 -12:00 18:00 -20:00	N/A	High Demand(Jun-Aug)	**R 0.8325**	**R 0.8942**	**6.90%**	**R 1.0033**	**19.1%**
	245				Low Demand(Sep-May)	R 0.5479	R 0.5479	0.00%	R 0.6147	12.2%
Off-Peak	246	22:00 -06:00	12:00 -18:00 20:00 -07:00	00:00 -24:00	High Demand(Jun-Aug)	R 0.4446	R 0.4446	0.00%	R 0.4988	12.2%
	247				Low Demand(Sep-May)	R 0.3830	R 0.3830	0.00%	R 0.4297	12.2%
2.2.2. Fixed Charge (Rand/Month)	213					R 392.35	R 392.32	-0.01%	R 440.18	12.2%
2.2.3. Demand Charge (R/kVA)	248					R 77.70	R 77.70	0.00%	R 87.18	12.2%
2.2.4. Reactive Energy Charge (R/kvarh)	NEW					R 0.1629	R 0.1629	0.00%	R 0.1828	12.2%
3. Domestic - Bulk Consumers High Voltage			% correction compared to Commercial Tariff							
3.1. Three-Part										
3.1.1. Energy (R/kWh)	249					**R 0.6905**	**R 0.6453**	**-7.00%**	**R 0.6453**	**-7.00%**
3.1.2. Fixed Charge (Rand/Month)	214					**R 4 805.98**	**R 4 491.49**	**-7.00%**	**R 4 491.49**	**-7.00%**
3.1.3. Demand Charge (R/kVA)	250					**R 69.05**	**R 64.53**	**-7.00%**	**R 64.53**	**-7.00%**
3.1.4. Reactive Energy Charge (R/kvarh)	NEW					R 0.1629	R 0.1629	0.00%	R 0.1828	12.2%
3.2. Time-of-Use										
3.2.1. Energy Charge (R/kWh)		**Weekdays**	**Saturday**	**Sunday**						
Peak	251	07:00 -10:00 18:00 -20:00	N/A	N/A	High Demand(Jun-Aug)	R 3.4204	R 3.4204	0.00%	R 3.8377	12.2%
	252				Low Demand(Sep-May)	R 0.9551	R 0.9551	0.00%	R 1.0716	12.2%
Standard	253	06:00 -07:00 10:00 -18:00 20:00 -22:00	07:00 -12:00 18:00 -20:00	N/A	High Demand(Jun-Aug)	R 0.8894	R 0.8894	0.00%	R 0.9979	12.2%
	254				Low Demand(Sep-May)	R 0.5853	R 0.5853	0.00%	R 0.6567	12.2%
Off-Peak	255	22:00 -06:00	12:00 -18:00 20:00 -07:00	00:00 -24:00	High Demand(Jun-Aug)	R 0.4750	R 0.4750	0.00%	R 0.5330	12.2%
	256				Low Demand(Sep-May)	**R 0.4094**	**R 0.4750**	**13.81%**	**R 0.5330**	**26.02%**
3.2.2. Fixed Charge (Rand/Month)	215					R 4 805.98	R 4 805.98	0.00%	R 5 392.31	12.2%
3.2.3. Demand Charge (R/kVA)	257					R 69.05	R 69.05	0.00%	R 77.47	12.2%
3.2.4. Reactive Energy Charge (R/kvarh)	NEW					R 0.1629	R 0.1629	0.00%	R 0.1828	12.2%
4. Commercial and Industrial - Small Consumers										
4.1. Two-Part										
4.1.1. Energy (R/kWh)	0271					R 1.1900	R 1.1900	0.00%	R 1.3352	12.2%
4.1.2. Fixed Charge (R/A/CB rating)	0209					R 4.82	R 4.82	0.00%	R 5.41	12.2%
4.2. Two-Part: Time-of-Use										
4.2.1. Energy (R/kWh):										
4.2.1.1. During Eskom PEAK Times	0233					R 2.4064	~~R 2.4064~~	0.00%	R 2.7000	12.2%
4.2.1.2. During Eskom STANDARD Times	0234					R 1.1312	~~R 1.1312~~	0.00%	R 1.2692	12.2%
4.2.1.3. During Eskom OFF-PEAK Times	0235					R 0.7429	~~R 0.7429~~	0.00%	R 0.8335	12.2%
4.2.2. Fixed Charge (R/A/CB rating)	0217					R 4.82	~~R 4.82~~	0.00%	R 5.41	12.2%
4.3. Pre-Paid										
4.3.1. Pre-Paid: Single Phase		**Maximum Consumption: 1 000 kWh / Month**								
4.3.1.1. Energy (R/kWh)	0269					**R 1.3948**	**R 1.3913**	**-0.25%**	**R 1.3913**	**-0.25%**
4.3.1.2. Fixed Charge (R/A/CB rating)		NO Charge								
4.3.2. Pre-Paid: Three Phase		**Maximum Consumption: 1 000 kWh / Month**								
4.3.2.1. Energy (R/kWh)						R 1.5679	R 1.5679	0.00%	**R 1.7592**	12.2%
4.3.2.2. Fixed Charge (R/A/CB rating)		NO Charge								
5. Commercial & Industrial - Bulk Consumers Low Voltage										
5.1. Three-Part										
5.1.1. Energy (R/kWh)	0273					**R 0.8281**	**R 0.7841**	**-5.61%**	**R 0.7841**	**-5.61%**
5.1.2. Fixed Charge (Rand/Month)	0202					R 435.92	R 435.92	0.00%	R 489.10	12.2%
5.1.3. Demand Charge (R/kVA)	0291					**R 78.48**	**R 82.81**	**5.23%**	**R 92.91**	**17.43%**
5.1.4. Reactive Energy Charge (R/kvarh)	NEW					R 0.1629	R 0.1629	0.00%	**R 0.1828**	12.2%

8.4.5 Solid Waste Removal and Impact of Tariff Increase

A tariff increase of 6 per cent for sanitation from 1st July 2015 is proposed.

The following table compares current and proposed amounts payable from 1st July 2015:

Table 9 Proposed solid waste removal

	2014/2015	2015/2016	INCREASE
MOBILE REFUSE CONTAINERS 240L BINS	**Per month ®**		
Domestic Refuse:One removal per week per 240l container per month or part thereof	121.17	128.44	6%
Domestic Refuse:Daily Removal per 240L cotainer per month or part thereof	726.98	770.60	6%
Business Refuse: One removal per week per 240l container per month or part threof	282.73	299.70	6%
Business Refuse:Daily removal per 240l container per month or part thereof	1 130.86	1 198.71	6%
Handling /Delivery Fees per container to be delivered	80.72	85.57	6%
Replacement of lost/damaged container (payable in advance if fault of user)	727.06	770.68	6%
BIN LINERS			
From dwellings:one removal with a maximum of six bin liners with a capacity of 85L each per month or part thereof	112.40	119.15	6%
From Flats:one removal with a maximum of four bin liners with a capacity of 85L per flat, per month or part thereof	78.99	83.73	6%

1.5 Operating Expenditure Framework

The following table is a high level summary of the 2015/2016 budget and MTREF (classified per main type of operating expenditure):

Table 10 Summary of operating expenditure by standard classification item

Description	2011/12	2012/13	2013/14	Current Year 2014/15				2015/16 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
Expenditure By Type										
Employee related costs	397 067	441 828	482 479	570 352	574 775	574 775	574 775	576 304	594 795	625 894
Remuneration of councilors	17 954	19 019	24 074	28 387	28 387	28 387	28 387	31 225	33 099	35 085
Debt impairment	82 208	28 533	221 318	45 775	117 084	117 084	117 084	109 675	114 062	117 484
Depreciation & asset impairment	210 655	242 282	267 255	281 809	281 809	281 809	281 809	298 154	314 552	331 853
Finance charges	45 285	45 421	55 300	58 067	53 067	53 067	53 067	56 035	51 944	48 308
Bulk purchases	540 935	607 052	657 955	753 695	753 695	753 695	753 695	851 312	970 636	1 106 694
Contracted services	146 686	165 825	175 811	227 335	220 335	220 335	220 335	220 809	235 802	251 526
Transfers and grants	19 893	32 510	25 462	39 420	39 620	39 620	39 620	39 939	42 136	44 453
Other expenditure	195 945	239 810	196 289	290 288	298 063	298 063	298 063	323 320	312 374	326 129
Repairs & maintenance	62 552	69 975	69 372	75 281	80 473	80 473	80 473	86 302	89 993	94 943
Total Expenditure	1 719 180	1 892 255	2 175 316	2 370 408	2 447 307	2 447 307	2 447 307	2 593 075	2 759 393	2 982 369

- The budgeted allocation for employee related costs for the 2015/16 financial year totals R576 304 489, which equals 23 per cent of the total operating expenditure, Employee related cost overall will increase by 4.4%.The *Salary and Wage Collective Agreement* for the period 01 July 2012 to 30 June 2015 has come to an end. The South African Local Government Association issued a press release on 03 March 2015 indicating that it tabled the following offer for salaries and wages increase:
  - *2015/16 Financial Year – 4.4 per cent (inflation linked)*
  - *2016/17 and 2017/18 Financial Years – inflation related increase plus additional 0.25 per cent*
- As the negotiations are still underway, municipalities are advised to use the above proposed guidelines in preparing their 2015/2016 budgets.
- Overtime was reduced by 25 per cent or R6 867 619 with an understating that departments must start to monitor and control the costs of overtime so that the City should start to realize value for money.
- The cost associated with the remuneration of councillors is determined by the Minister of Co-operative Governance and Traditional Affairs in accordance with the Remuneration of Public Office Bearers Act, 1998 (Act 20 of 1998). The most recent proclamation (Government Gazette no.38433) in this regard has been taken into account in compiling the City's budget and increase of 10% was factored in.
- The provision of debt impairment was determined based on an annual collection rate of 96 per cent. For the 2015/16 financial year this amount equates to R68 095 194 and increased to R72 943 572 by 2017/18. While this expenditure is considered to be a non-cash flow item, it informed the total cost associated with rendering the services of the municipality, as well as the municipality's realistically anticipated revenues.

- Provision for depreciation and asset impairment has been informed by the Municipality's Asset Management Policy. Depreciation is widely considered a proxy for the measurement of the rate of asset consumption. Budget appropriations in this regard total R298 153 966 for the 2015/16 financial and equates to 11.5 per cent of the total operating expenditure.

- Finance charges consist primarily of the repayment of interest on long-term borrowing (cost of capital). Finance charges make up 2.16 per cent or R56 034 795 of operating expenditure excluding annual capital redemption of R41 173 447. Total amount of loans acquired by the City currently is R515 804 870.

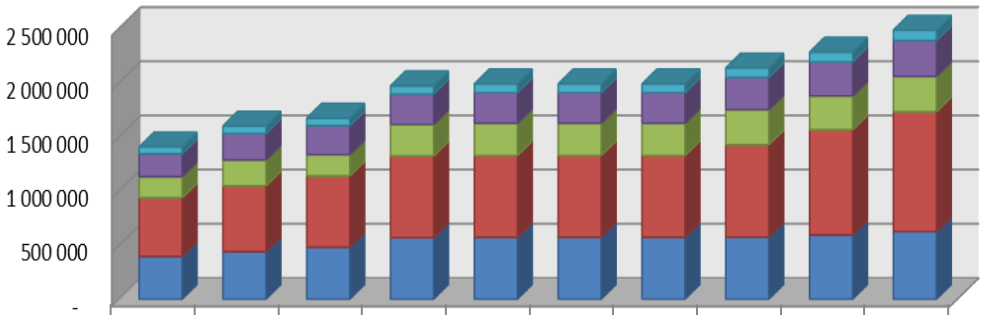
- Bulk purchases are directly informed by the purchase of electricity from Eskom and water from Rand Water. The annual price increases have been factored into the budget appropriations and directly inform the revenue provisions. **The expenditures exclude distribution losses.**

- In line with the City's repairs and maintenance plan this group of expenditure has been prioritised to ensure sustainability of the City's infrastructure. For 2015/16 the appropriation against this group of expenditure is R86 301 569 and continues to grow at 4.28 and 5.50 per cent for the two outer years.

- Other general expenses have been identified as one of the highest cost drivers for the City. In the 2015/16 financial year, this group of expenditure totals R323 320 000 or 12.47 per cent of the total budget this includes non-cash items of about R104 343 004 (year-end provisions & municipal charges: service consumed). **Breakdown of Other Expenditures:**
  - ✓ Collection costs = R29 079 093
  - ✓ Election expenses = R600 000
  - ✓ Enterprise Development Program = R1 044 000
  - ✓ Incubator Program = R3 648 200
  - ✓ Cooperatives Initiative = R4 451 580
  - ✓ Establishment of Property Development Entity = R4000 000
  - ✓ Settlement Fees & Legal Costs = R17 355 800
  - ✓ Transport Costs (Fuel & e-tags) = R15 852 512
  - ✓ **Special Projects (Political Office) = R4 666 056**
  - ✓ **Special Projects (Other Depart) = R6 809 977**
    - IGR=R53 463
    - Corporate Support Services=R796 637
    - IEM=R527 411
    - Social Upliftment= R186 614
    - Sports & Recreation= R600 000
    - HIV/Aids programmes=R2 901 627
    - Heritage programmes=R200 247
    - SRAC:Library Funding= R50 000
    - Public Safety Awareness=R71 462
    - Rural Dev. CRDP=R1 422 516
  - ✓ Other expenses = R78 753 443
  - ✓ Telephones= R17 682 083 & new service connections= R10 534 264
  - ✓ **R24 500 000 have been allocated to Grants: Other Municipalities. Breakdown of costs:**
    - Transformation Costs= R500 000
    - WRDM Agency= R500 000
    - Go West Festival= R2 500 000
    - OR Tambo Games= R1 000 000
    - Infrastructure Super Master Plan= R20 000 000

The following table gives a breakdown of the main expenditure categories for the 2015/2016 financial year.

Figure 6 Expenditure by major type for the 2015/2016 financial year



	11/12 AUD	12/13 AUD	13/14 AUD	CY 14/15 BUD	CY 14/15 ADJ	CY 14/15 FCST	CY 14/15 ACT	Budget Year 15/16	Budget Year + 1 16/17	Budget Year + 2 17/18
Other materials	62 552	69 975	69 372	75 281	80 473	80 473	80 473	86 302	89 993	94 943
Depreciation & asset impairment	210 655	242 282	267 255	281 809	281 809	281 809	281 809	298 154	314 552	331 853
Other expenditure	195 945	239 810	196 289	290 288	298 063	298 063	298 063	323 320	312 374	326 129
Bulk purchases	540 935	607 052	657 955	753 695	753 695	753 695	753 695	851 312	970 636	1 106 694
Employee related costs	397 067	441 828	482 479	570 352	574 775	574 775	574 775	576 304	594 795	625 894

1.5.1 Priority given to repairs and maintenance

Aligned to the priority being given to preserving and maintaining the City's current infrastructure, the 2015/2016 budget and MTREF provide about 7.24 per cent growth in the area of asset maintenance, as informed by the availability of resources and asset renewal strategy. In terms of the Municipal Budget and Reporting Regulations, operational repairs and maintenance is not considered a direct expenditure driver but an outcome of certain other expenditures, such as remuneration, purchases of materials and contracted services. Considering these cost drivers, **the following table is a consolidation of all the expenditures associated with repairs and maintenance:**

Table 11 Operational repairs and maintenance

Description	2011/12	2012/13	2013/14	Current Year 2014/15				2015/16 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
R thousand										
Repairs and Maintenance by Expenditure Item										
Employee related costs	–	–	–	161 618	11 772	11 772	11 772	15 856	16 767	16 993
Other materials	51 884	47 210	63 681	52 402	72 839	72 839	72 839	78 210	81 456	85 936
Contracted Services	10 668	22 765	5 691	22 879	7 634	7 634	7 634	8 092	8 537	9 007
Other Expenditure	–	–	–	–	–	–	–	–	–	–
Total Repairs and Maintenance Expenditure	62 552	69 975	69 372	236 899	92 246	92 246	92 246	102 157	106 761	111 936

During the compilation of the 2015/2016 MTREF operational repairs and maintenance was identified as a strategic imperative owing to the aging of the City's infrastructure and historic deferred maintenance. The actual performance on repairs & maintenance during 2013/2014 financial year indicated a reduction of 7.54% when compared to audited outcome of 2012/13 financial year (R75 034 million) due to movement of expenditure in operating budget to capital budget based on the nature of the transactions.

During the 2014/15 Adjustment Budget this allocation was adjusted upwards to R80 473 179 or 7 per cent. This strategic imperative remains a priority as can be seen by the budget appropriations over the MTREF. The total allocation for 2015/16 equates to R86 301 569 increased by R5 828 390 or 7.24 per cent and continues to grow at 4.28 per cent and 5.50 per cent respectively over the MTREF. In relation to the total operating expenditure budget, repairs and maintenance comprises of 3.23, 3.26 and 3.18 per cent for the respective financial years of the MTREF.

National Treasury guidelines indicate that repairs & maintenance expenditure budget should be **8 per cent of the total value of the assets.** Mogale City total value of assets is R5 737 156 363 as per 2013/14 audited outcome, which means we need R458 972 509 to fund repairs & maintenance which is unaffordable for the City.

The table below provides a breakdown of the repairs and maintenance in relation to asset class:

Table 12 Repairs and maintenance per asset class

Description	2011/12	2012/13	2013/14	Current Year 2014/15				2015/16 Medium Term Revenue & Expenditure Framework	
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
EXPENDITURE OTHER ITEMS									
Depreciation & asset impairment	**210 655**	**242 282**	**267 571**	**281 809**	**281 809**	**281 809**	**298 154**	**314 552**	**331 853**
Repairs and Maintenance by Asset Class	**62 552**	**69 975**	**69 372**	**75 370**	**80 473**	**80 473**	**86 302**	**89 993**	**94 943**
Infrastructure - Road transport	10 730	22 765	5 691	8 034	7 634	7 634	8 092	8 537	9 007
Infrastructure - Electricity	20 898	24 463	10 472	28 878	34 611	34 611	36 971	39 004	41 149
Infrastructure - Water	6 127	7 571	2 887	5 392	5 402	5 402	5 727	6 041	6 374
Infrastructure - Sanitation	5 358	10 348	9 482	9 574	9 098	9 098	9 644	10 174	10 734
Infrastructure - Other	4 541	3 555	6 039	3 882	3 882	3 882	5 115	4 341	4 580
Infrastructure	*47 653*	*68 702*	*34 572*	*55 760*	*60 627*	*60 627*	*65 548*	*68 098*	*71 843*
Community	6 352	6 137	6 189	7 509	7 501	7 501	7 951	8 388	8 850
Other assets	8 546	-4 864	28 612	12 102	12 345	12 345	12 803	13 507	14 250
TOTAL EXPENDITURE OTHER ITEMS	**273 207**	**312 257**	**336 943**	**357 179**	**362 282**	**362 282**	**384 456**	**404 546**	**426 796**
Renewal of Existing Assets as % of total capex	***45.1%***	***42.5%***	***61.9%***	***34.1%***	***27.1%***	***27.1%***	***35.6%***	***35.1%***	***14.9%***
Renewal of Existing Assets as % of deprecn"	***39.4%***	***58.1%***	***55.9%***	***58.5%***	***44.4%***	***44.4%***	***35.0%***	***22.6%***	***9.7%***
R&M as a % of PPE	***1.2%***	***1.3%***	***1.3%***	***1.4%***	***1.5%***	***1.5%***	***1.7%***	***1.8%***	***1.9%***
Renewal and R&M as a % of PPE	***3.0%***	***4.0%***	***4.0%***	***4.0%***	***4.0%***	***4.0%***	***3.0%***	***3.0%***	***2.0%***

For the 2015/16 financial year 76 per cent or R65 548 millions of total repairs and maintenance will be spent on infrastructure assets. Electricity infrastructure has received a significant proportion of this allocation totalling 43 per cent (R36 971 million), followed by other assets at 15 per cent (R12 803 million), sanitation at 11 per cent (R9 644 million) road infrastructure at 9 per cent (R8 092 million), community assets at 9 per cent (R7 951 million) and water at 7 per cent or R5 727 million of total repairs and maintenance.

1.5.2 Free Basic Services: Basic Social Services Package

The social package assists households that are poor or face other circumstances that limit their ability to pay for services. To receive these free services the households are required to register in terms of the City's Indigent Management Policy. The target is to register 20 000 or more indigents households during the 2015/16 financial year, a process reviewed annually. Detail relating to free services, cost of free basis services, revenue lost owing to free basic services as well as basic service delivery measurement is contained in Table 24 MBRR A10 (Basic Service Delivery Measurement) on page 52.

The cost of the social package of the registered indigent households is largely financed by national government through the local government equitable share received in terms of the annual Division of Revenue Act.

1.6 Capital expenditure

The following table provides a breakdown of budgeted capital expenditure by vote:

Table 13 2015/16 Medium-term capital budget per standard classification

	Adjusted Budget	Percentage	2015/16 Budget Year	Percentage	2016/17 Budget Year	Percentage	2017/18 Budget Year	Percentage
Capital Expenditure - Standard								
Executive and council	25 611	6%	1 000	0%	111	0%	2 950	1%
Budget and treasury office	3 118	1%	1 000	0%	-	0%	0	0%
Corporate services	2 082	0%	930	0%	4 477	2%	1 823	1%
Community and social services	6 926	1%	12 272	4%	5 671	3%	3 417	2%
Sport and recreation	17 353	4%	23 602	8%	8 227	4%	15 030	7%
Public safety	268	0%	-	0%	-	0%	0	0%
Housing	-	0%	-	0%	-	0%	0	0%
Planning and development	69 832	15%	73 260	25%	50 100	25%	59 738	28%
Road transport	73 830	16%	58 001	20%	44 600	22%	48 035	22%
Environmental protection	27 783	6%	17 979	6%	23 784	12%	18 912	9%
Electricity	102 735	22%	37 236	13%	5 000	2%	25 647	12%
Water	81 929	18%	33 401	11%	18 138	9%	11 027	5%
Waste water management	33 563	7%	23 419	8%	29 565	15%	25 723	12%
Waste management	10 378	2%	11 260	4%	5 648	3%	1 050	0%
Other	6 502	1%	-	0%	6 648	3%	3 000	1%
Total Capital Expenditure	**461 909**		**293 360**		**201 969**		**216 353**	

The table above provides a breakdown of the capital budget to be spent per standard classification. Some of the important projects to be undertaken over the medium-term includes, amongst others:

- Bulk Infrastructure Site & Services installation – R20 000 million funded by own funds and R7 000 million funded by savings from DBSA loan total amount will be R27 000 million ,
- Installation of Enviro-Loose Toilets – R6 000 million own funds,
- NDPG Capital grant – R40 260 million,
- Kagiso Cemetery Upgrading Phase 2 – R7 657 million funded by own funds (R4 657 million) & MIG (R3 000 million),
- Kagiso,Munsieville and Muldersdrift Regional Parks Gym Equipment's – R3 000 million funded by own funds,
- Landfill site upgrade Phase 4 – R11 260 million financed by MIG (R7 354 million) & own funding (R3 906 million);
- Refurbishment of Kagiso Pre-Primary School – R4 000 million to be funded by own funds;
- Upgrade of 3 Sports Complexes – totalling R17 719 million funded by MIG (R10 969 million) and own funds (R6 750 million),
- Upgrade or Rehabilitation of swimming pools (Kagiso & Azaadville) – R3 351 million funded by MIG,
- Solar Energy Lighting Project in rural areas – R10 000 million funded by own generated funds,
- New Street lighting –K13 – R4 400 million funded by DBSA loan roll over.
- Roads Resurfacing & Rehabilitation – R15 000 million funded by own funds;
- Robert Broom Drive Widening – R8 500 million funded by own funds,
- Protea Dal Bulk Infrastructure- R9 500 million funded by own funds,
- PR16 Sinqobile Phase 3 Roads & Stormwater – R29 029 million funded by MIG (R23 496 million) and R5 533 million roll over from DBSA loan.
- Water Demand Management Projects – R6 000 million funded by own funds
- Pre-Payment Water Meters Phase 3 – R12 901 million funded by MIG
- Magaliesburg Water Care Works Phase 1 – R8 412 million funded by MIG.

Furthermore pages 76 to 77 contain a detail breakdown of the capital budget per project over the medium-term.

1.7 Annual Budget Tables

The following eighteen pages present the ten main budget tables as required in terms of section 8 of the Municipal Budget and Reporting Regulations. These tables set out the municipality's 2015/16 budget and MTREF as approved by the Council. Each table is accompanied by *explanatory notes* on the facing page.

Table 14 MBRR Table A1 - Budget Summary

GT481 Mogale City - Table A1 Budget Summary

Description	2011/12	2012/13	2013/14	Current Year 2014/15				2015/16 Medium Term Revenue & Expenditure Framework		
R thousands	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
Financial Performance										
Property rates	**260 500**	293 406	340 748	348 891	372 962	372 962	372 962	394 872	416 590	438 669
Service charges	951 363	1 068 153	1 122 800	1 280 061	1 269 991	1 269 991	1 269 991	1 403 834	1 568 143	1 752 019
Investment revenue	4 717	13 537	12 624	1 468	5 839	5 839	5 839	6 000	6 330	6 665
Transfers recognised - operational	213 806	239 980	236 923	250 984	253 630	253 630	253 630	274 720	303 035	332 388
Other own revenue	253 270	122 076	293 448	119 903	133 826	133 826	133 826	170 095	117 733	123 973
Total Revenue (excluding capital transfers and contributions)	1 683 657	1 737 150	2 006 544	2 001 308	2 036 248	2 036 248	2 036 248	2 249 521	2 411 831	2 653 715
Employee costs	397 068	441 828	485 486	570 352	574 775	574 775	574 775	576 304	594 795	625 894
Remuneration of councillors	17 954	19 019	24 074	28 387	28 387	28 387	28 387	31 225	33 099	35 085
Depreciation & asset impairment	210 655	242 282	267 571	281 809	281 809	281 809	281 809	298 154	314 552	331 853
Finance charges	45 285	45 421	55 300	58 067	53 067	53 067	53 067	56 035	51 944	48 308
Materials and bulk purchases	603 487	677 027	727 328	829 014	834 168	834 168	834 168	937 613	1 060 629	1 201 637
Transfers and grants	19 893	32 510	25 462	40 650	39 620	39 620	39 620	39 939	42 136	44 453
Other expenditure	424 839	434 167	590 094	562 130	635 481	635 481	635 481	653 804	662 238	695 139
Total Expenditure	1 719 182	1 892 255	2 175 316	2 370 408	2 447 307	2 447 307	2 447 307	2 593 075	2 759 393	2 982 369
Surplus/(Deficit)	(35 525)	(155 104)	(168 772)	(369 100)	(411 060)	(411 060)	(411 060)	(343 554)	(347 562)	(328 654)
Transfers recognised - capital	84 758	109 609	105 109	122 012	118 250	118 250	118 250	141 157	156 791	168 682
Contributions recognised - capital & contributed a	–	–	–	–	–	–	–	–	–	–
Surplus/(Deficit) after capital transfers & contributions	49 233	(45 495)	(63 663)	(247 088)	(292 810)	(292 810)	(292 810)	(202 397)	(190 771)	(159 971)
Share of surplus/ (deficit) of associate	–	–	–	–	–	–	–	–	–	–
Surplus/(Deficit) for the year	49 233	(45 495)	(63 663)	(247 088)	(292 810)	(292 810)	(292 810)	(202 397)	(190 771)	(159 971)
Capital expenditure & funds sources										
Capital expenditure	**183 773**	331 533	241 823	483 996	461 909	461 909	461 909	293 360	201 969	216 353
Transfers recognised - capital	**70 424**	124 636	105 281	122 012	118 250	118 250	118 250	141 157	156 791	168 682
Public contributions & donations	**–**	–	–	–	10 000	10 000	10 000	8 500	–	–
Borrowing	**(9 352)**	167 773	23 221	239 500	239 500	239 500	239 500	37 269	–	–
Internally generated funds	**122 700**	39 124	113 321	122 484	94 159	94 159	94 159	106 434	45 178	47 671
Total sources of capital funds	**183 773**	331 533	241 823	483 996	461 909	461 909	461 909	293 360	201 969	216 353
Financial position										
Total current assets	**404 647**	537 806	527 002	415 721	468 667	468 667	468 667	433 189	475 780	525 539
Total non current assets	**5 746 372**	5 795 898	5 791 091	5 984 232	5 777 153	5 777 153	5 777 153	5 778 714	5 705 192	5 594 872
Total current liabilities	**518 342**	580 479	632 744	522 238	509 980	509 980	509 980	514 508	614 650	509 676
Total non current liabilities	**345 716**	521 183	514 319	589 559	627 783	627 783	627 783	712 127	681 341	580 117
Community wealth/Equity	**5 286 960**	5 232 042	5 171 030	5 288 156	5 108 057	5 108 057	5 108 057	4 985 269	4 884 980	5 030 617
Cash flows										
Net cash from (used) operating	**173 454**	207 386	259 954	250 015	158 555	158 555	158 555	282 892	276 612	369 086
Net cash from (used) investing	**(159 367)**	(323 911)	(220 893)	(481 996)	(461 909)	(461 909)	(461 909)	(243 360)	(201 969)	(216 353)
Net cash from (used) financing	**(9 647)**	162 914	(32 519)	211 606	208 507	208 507	208 507	(41 173)	(33 684)	(106 093)
Cash/cash equivalents at the year end	**43 775**	90 163	96 705	6 892	1 858	1 858	1 858	217	41 176	87 816
Cash backing/surplus reconciliation										
Cash and investments available	**82 019**	137 271	150 639	68 975	63 942	63 942	63 942	63 776	104 735	151 375
Application of cash and investments	**191 598**	178 309	261 784	52 203	54 084	54 084	884	63 229	63 357	60 686
Balance - surplus (shortfall)	**(109 579)**	(41 038)	(111 145)	16 772	9 858	9 858	63 058	547	41 378	90 689
Asset management										
Asset register summary (WDV)	**5 707 616**	5 748 171	5 736 537	5 921 528	5 715 070	5 715 070	5 715 155	5 715 155	5 641 632	5 531 313
Depreciation & asset impairment	**210 655**	242 282	267 571	281 809	281 809	281 809	298 154	298 154	314 552	331 853
Renewal of Existing Assets	**82 933**	140 819	149 664	164 964	125 248	125 248	125 248	104 319	70 948	32 155
Repairs and Maintenance	**62 552**	69 975	69 372	75 370	80 473	80 473	86 302	86 302	89 993	94 943
Free services										
Cost of Free Basic Services provided	**91 619**	96 200	2 018	111 111	111 111	111 111	126 318	126 318	133 897	141 931
Revenue cost of free services provided	**104 643**	109 876	2 147 914	126 906	126 906	126 906	74 216	74 216	75 602	77 434
Households below minimum service level										
Water:	5	5	8	8	8	8	8	8	8	7
Sanitation/sewerage:	2	1	7	7	7	7	5	5	5	4
Energy:	6	6	6	11	11	11	11	11	10	9
Refuse:	–	–	24	24	24	24	22	22	21	20

Explanatory notes to MBRR Table A1 - Budget Summary

1. Table A1 is a budget summary and provides a concise overview of the City's budget from all of the major financial perspectives (operating, capital expenditure, financial position, cash flow, and MFMA funding compliance).

2. The table provides an overview of the amounts approved by Council for operating performance, resources deployed to capital expenditure, financial position, cash and funding compliance, as well as the municipality's commitment to eliminating basic service delivery backlogs.

3. Financial management reforms emphasises the importance of the municipal budget being funded. This requires the simultaneous assessment of the Financial Performance, Financial Position and Cash Flow Budgets, along with the Capital Budget. The Budget Summary provides the key information in this regard:

    a. Capital expenditure is balanced by capital funding sources, of which
        i. Transfers recognised is reflected on the Financial Performance Budget;
        ii. Borrowing is incorporated in the net cash from financing on the Cash Flow Budget if borrowing is used to fund capital projects.

4. The Cash backing/surplus reconciliation shows that in previous financial years the municipality was not paying much attention to managing this aspect of its finances, and consequently many of its obligations are not cash-backed. These places the municipality in a very vulnerable financial position, as the recent slow-down in revenue collections highlighted. .

5. Even though the Council is placing great emphasis on securing the financial sustainability of the municipality, this is not being done at the expense of services to the poor. The section of Free Services shows that the amount spent on Free Basic Services and the revenue cost of free services provided by the municipality continues to increase.

Table 15 MBRR Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification)

GT481 Mogale City - Table A2 Budgeted Financial Performance (revenue and expenditure by standard classification)

Standard Classification Description	Ref	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
Revenue - Standard										
Governance and administration		**338 432**	**357 856**	**469 837**	**417 396**	**467 917**	**467 917**	**483 796**	**511 020**	**540 030**
Executive and council		2 234	1 776	3 149	7 736	4 100	4 100	4 646	4 116	4 359
Budget and treasury office		327 177	349 993	452 905	395 655	457 175	457 175	473 941	501 432	529 883
Corporate services		9 021	6 087	13 783	14 005	6 642	6 642	5 210	5 472	5 787
Community and public safety		**161 533**	**155 902**	**269 610**	**129 843**	**133 539**	**133 539**	**194 075**	**159 133**	**168 537**
Community and social services		83 425	124 525	79 298	85 712	87 410	87 410	97 819	109 407	122 734
Sport and recreation		10 272	20 208	19 659	20 076	22 081	22 081	22 181	24 326	19 057
Public safety		67 755	11 089	170 593	23 988	23 993	23 993	24 017	25 338	26 680
Housing		75	80	60	66	56	56	50 059	62	66
Health		5	–	–	–	–	–	–	–	–
Economic and environmental services		**134 436**	**76 510**	**77 668**	**92 541**	**88 106**	**88 106**	**70 399**	**79 911**	**79 760**
Planning and development		2 389	4 175	16 095	28 889	33 679	33 679	47 212	55 448	54 000
Road transport		30 429	66 325	60 811	62 657	54 162	54 162	22 907	24 167	25 448
Environmental protection		101 618	6 010	762	996	265	265	281	296	312
Trading services		**1 133 967**	**1 256 479**	**1 294 539**	**1 483 541**	**1 464 911**	**1 464 911**	**1 642 406**	**1 818 558**	**2 034 070**
Electricity		659 252	751 573	762 198	895 408	887 651	887 651	962 963	1 072 585	1 208 871
Water		183 413	203 559	223 631	253 302	247 044	247 044	288 256	321 833	360 785
Waste water management		169 233	155 275	144 789	167 874	165 448	165 448	181 883	205 325	221 228
Waste management		122 069	146 071	163 921	166 958	164 767	164 767	209 304	218 815	243 186
Other	4	**47**	**13**	**–**	**–**	**24**	**24**	**–**	**–**	**–**
Total Revenue - Standard	2	**1 768 415**	**1 846 760**	**2 111 653**	**2 123 320**	**2 154 498**	**2 154 498**	**2 390 677**	**2 568 622**	**2 822 397**
Expenditure - Standard										
Governance and administration		**401 941**	**515 546**	**513 446**	**580 937**	**588 629**	**588 629**	**627 978**	**611 276**	**635 615**
Executive and council		34 560	64 192	79 969	94 610	94 140	94 140	119 851	100 866	106 604
Budget and treasury office		196 578	283 099	240 871	258 982	271 260	271 260	270 020	274 795	280 410
Corporate services		170 802	168 255	192 607	227 346	223 228	223 228	238 107	235 614	248 600
Community and public safety		**200 511**	**221 622**	**387 582**	**306 801**	**346 151**	**346 151**	**350 342**	**368 971**	**384 542**
Community and social services		36 773	37 588	42 474	63 317	63 295	63 295	61 542	65 159	65 621
Sport and recreation		56 717	66 166	83 341	101 420	98 259	98 259	96 851	102 320	107 970
Public safety		93 404	110 481	253 375	133 768	175 649	175 649	182 493	191 499	200 405
Housing		8 781	7 148	8 094	8 038	8 689	8 689	9 186	9 708	10 246
Health		4 836	238	298	258	259	259	270	284	300
Economic and environmental services		**181 653**	**202 227**	**177 541**	**221 017**	**218 777**	**218 777**	**240 690**	**254 073**	**268 076**
Planning and development		27 952	25 187	26 794	35 791	35 821	35 821	49 406	52 190	55 074
Road transport		145 452	170 234	148 509	182 774	180 626	180 626	188 921	199 390	210 373
Environmental protection		8 249	6 806	2 237	2 451	2 329	2 329	2 363	2 493	2 630
Trading services		**934 483**	**952 250**	**1 095 940**	**1 260 428**	**1 291 001**	**1 291 001**	**1 373 291**	**1 524 256**	**1 693 273**
Electricity		520 833	553 218	624 341	702 833	728 344	728 344	782 154	879 357	989 222
Water		221 253	237 615	268 267	299 196	306 352	306 352	328 676	365 860	407 512
Waste water management		87 332	65 757	78 693	114 703	113 328	113 328	113 491	121 822	130 780
Waste management		105 065	95 660	124 638	143 697	142 977	142 977	148 970	157 217	165 759
Other	4	**594**	**610**	**807**	**1 225**	**2 750**	**2 750**	**773**	**818**	**863**
Total Expenditure - Standard	3	**1 719 182**	**1 892 255**	**2 175 316**	**2 370 408**	**2 447 307**	**2 447 307**	**2 593 075**	**2 759 393**	**2 982 369**
Surplus/(Deficit) for the year		**49 233**	**(45 495)**	**(63 663)**	**(247 088)**	**(292 810)**	**(292 810)**	**(202 397)**	**(190 771)**	**(159 971)**

Explanatory notes to MBRR Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification)

1. Table A2 is a view of the budgeted financial performance in relation to revenue and expenditure per standard classification. The modified GFS standard classification divides the municipal services into 15 functional areas. Municipal revenue, operating expenditure and capital expenditure are then classified in terms if each of these functional areas which enables the National Treasury to compile 'whole of government' reports.

2. Note the total revenue on this table includes capital revenues (transfers recognised – capital) and so does not balance to the operating revenue shown on Table A4.

3. Note that as a general principle the revenues for the Trading Services should exceed their expenditures.

4. Other functions such as that show a deficit between revenue and expenditure are being financed from rates revenues and other revenue sources reflected under the Budget and Treasury Office.

Table 16 MBRR Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)

GT481 Mogale City - Table A3 Budgeted Financial Performance (revenue and expenditure by municipal vote)

Vote Description	Ref	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
Revenue by Vote	1									
Vote 1 - POLITICAL OFFICE		142	2	953	3 709	5	5	–	–	–
Vote 2 - MUNICIPAL MANAGERS OFFICE		–	–	–	934	943	943	–	–	–
Vote 3 - CHIEF OPERATING OFFICER		2 096	1 784	2 213	3 093	3 166	3 166	4 647	4 118	4 361
Vote 4 - CORPORATE SUPPORT SERVICES		8 994	5 184	13 698	12 071	6 628	6 628	5 268	5 533	5 852
Vote 5 - MUNICIPAL FINANCIAL SERVICES		327 101	349 993	452 905	395 655	447 175	447 175	473 941	501 432	529 883
Vote 6 - INTEGRATED ENVIRONMENTAL MANAGE		237 124	175 520	176 423	180 607	181 944	181 944	192 947	218 229	221 486
Vote 7 - SOCIAL SERVICES		167 096	157 314	279 199	142 814	137 678	137 678	153 930	155 835	171 346
Vote 8 - ECONOMIC SERVICES		2 594	4 300	16 201	31 004	35 272	35 272	97 306	55 547	54 105
Vote 9 - CIVIL ENGINEERING SERVICE		363 941	401 085	407 863	458 025	444 034	444 034	499 676	555 344	626 494
Vote 10 - ENERGY SERVICES		659 328	751 576	762 198	895 408	897 651	897 651	962 963	1 072 585	1 208 871
Vote 11 - [NAME OF VOTE 11]		–	–	–	–	–	–	–	–	–
Vote 12 - [NAME OF VOTE 12]		–	–	–	–	–	–	–	–	–
Vote 13 - [NAME OF VOTE 13]		–	–	–	–	–	–	–	–	–
Vote 14 - [NAME OF VOTE 14]		–	–	–	–	–	–	–	–	–
Vote 15 - [NAME OF VOTE 15]		–	–	–	–	–	–	–	–	–
Total Revenue by Vote	2	**1 768 415**	**1 846 760**	**2 111 653**	**2 123 320**	**2 154 498**	**2 154 498**	**2 390 677**	**2 568 622**	**2 822 397**
Expenditure by Vote ***to be appropriated***	1									
Vote 1 - POLITICAL OFFICE		27 647	48 744	58 491	65 133	65 844	65 844	68 904	72 909	77 097
Vote 2 - MUNICIPAL MANAGERS OFFICE		5 855	9 630	13 389	16 585	16 432	16 432	39 422	15 773	16 647
Vote 3 - CHIEF OPERATING OFFICER		42 226	50 816	45 905	71 302	68 278	68 278	62 158	65 637	69 259
Vote 4 - CORPORATE SUPPORT SERVICES		64 345	81 552	88 283	122 824	121 127	121 127	142 255	134 413	141 825
Vote 5 - MUNICIPAL FINANCIAL SERVICES		178 728	283 099	240 870	258 982	271 260	271 260	270 020	274 795	280 410
Vote 6 - INTEGRATED ENVIRONMENTAL MANAGE		180 388	153 531	178 974	213 862	209 780	209 780	215 519	227 525	239 952
Vote 7 - SOCIAL SERVICES		184 845	201 584	353 971	248 885	290 515	290 515	293 939	309 399	321 682
Vote 8 - ECONOMIC SERVICES		36 630	32 292	35 664	44 149	46 327	46 327	58 448	61 747	65 161
Vote 9 - CIVIL ENGINEERING SERVICE		468 000	478 487	536 338	627 031	629 831	629 831	660 255	717 838	781 114
Vote 10 - ENERGY SERVICES		530 517	552 520	623 431	701 654	727 914	727 914	782 154	879 357	989 222
Vote 11 - [NAME OF VOTE 11]		–	–	–	–	–	–	–	–	–
Vote 12 - [NAME OF VOTE 12]		–	–	–	–	–	–	–	–	–
Vote 13 - [NAME OF VOTE 13]		–	–	–	–	–	–	–	–	–
Vote 14 - [NAME OF VOTE 14]		–	–	–	–	–	–	–	–	–
Vote 15 - [NAME OF VOTE 15]		–	–	–	–	–	–	–	–	–
Total Expenditure by Vote	2	**1 719 182**	**1 892 255**	**2 175 316**	**2 370 408**	**2 447 307**	**2 447 307**	**2 593 075**	**2 759 393**	**2 982 369**
Surplus/(Deficit) for the year	2	**49 233**	**(45 495)**	**(63 663)**	**(247 088)**	**(292 810)**	**(292 810)**	**(202 397)**	**(190 771)**	**(159 971)**

Explanatory notes to MBRR Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)

1. Table A3 is a view of the budgeted financial performance in relation to the revenue and expenditure per municipal vote. This table facilitates the view of the budgeted operating performance in relation to the organisational structure of Mogale City. This means it is possible to present the operating surplus or deficit of a vote.

2. The following table is an analysis of the surplus or deficit for the electricity and water trading services.

Table 17 Surplus/ (Deficit) calculations for the trading services

Standard Classification Description	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
Electricity:									
Total Revenue (incl capital grants and transfers	659 252	751 573	762 198	895 408	887 651	887 651	962 963	1 072 585	1 208 871
Operating Expenditure	520 833	553 218	624 341	702 833	728 344	728 344	782 154	879 357	989 222
Surplus/(Deficit) for the year	**138 419**	**198 355**	**137 856**	**192 575**	**159 307**	**159 307**	**180 808**	**193 227**	**219 649**
Percentage Surplus	**21%**	**26%**	**18%**	**22%**	**18%**	**18%**	**19%**	**18%**	**18%**
Water:									
Total Revenue(including capital grants & transfers)	183 413	203 559	223 631	253 302	247 044	247 044	288 256	321 833	360 785
Operating Expenditure	221 253	237 615	268 267	299 196	306 352	306 352	328 676	365 860	407 512
Surplus/(deficit) for the year	**-37 840**	**-34 055**	**-44 636**	**-45 894**	**-59 308**	**-59 308**	**-40 420**	**-44 027**	**-46 726**
Percentage Surplus	**-21%**	**-17%**	**-20%**	**-18%**	**-24%**	**-24%**	**-14%**	**-14%**	**-13%**

3. The electricity trading surplus is slightly increases over the 2015/16 MTREF to 19 per cent or R180 808 million in 2015/16 financial year and decreases to 18 per cent during 2017/18. This is primarily as a result of the high increases in Eskom bulk purchases. The surplus is decreasing over seven years from 21 per cent during 2011/12 to 18 per cent in 2017/18.

4. Water has experienced a deficit from 2011/12 of about 21 per cent and decreases to 13 per cent during 2017/18 an improvement of 8 per cent. This is mainly due to high water losses and tariffs that are not cost reflective.

5. Note that the surpluses on electricity is utilised as an internal funding source for the capital programme for asset renewal, refurbishment and the development of new asset infrastructure.

Table 18 MBRR Table A4 - Budgeted Financial Performance (revenue and expenditure)

GT481 Mogale City - Table A4 Budgeted Financial Performance (revenue and expenditure)

Description	Ref	2011/12	2012/13	2013/14	Current Year 2014/15				2015/16 Medium Term Revenue & Expenditure Framework		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
Revenue By Source											
Property rates	2	247 753	272 542	308 723	316 406	347 652	347 652	347 652	368 044	388 286	408 865
Property rates - penalties & collection charges		12 747	20 863	32 026	32 486	25 310	25 310	25 310	26 828	28 304	29 804
Service charges - electricity revenue	2	619 676	695 834	723 268	833 172	825 404	825 404	825 404	904 354	1 014 685	1 138 477
Service charges - water revenue	2	169 383	187 182	193 741	229 868	222 567	222 567	222 567	257 065	291 768	331 157
Service charges - sanitation revenue	2	85 747	94 007	105 155	111 476	117 890	117 890	117 890	132 037	145 241	159 765
Service charges - refuse revenue	2	76 556	91 131	100 636	105 544	104 130	104 130	104 130	110 378	116 449	122 621
Service charges - other		–	–	–	–	–	–	–			
Rental of facilities and equipment		3 149	2 821	2 969	3 508	3 252	3 252	3 252	3 447	3 637	3 830
Interest earned - external investments		4 717	13 537	12 624	1 468	5 839	5 839	5 839	6 000	6 330	6 665
Interest earned - outstanding debtors		10 202	10 349	14 518	13 732	32 299	32 299	32 299	34 237	36 120	38 035
Dividends received		13	–	34	–	–	–	–			
Fines		11 036	10 469	170 003	23 522	23 522	23 522	23 522	23 522	24 816	26 131
Licences and permits		23	17	28	24	22	22	22	23	24	26
Agency services		18 999	24 950	21 408	24 950	21 408	21 408	21 408	22 692	23 940	25 209
Transfers recognised - operational		213 806	239 980	236 923	250 984	253 630	253 630	253 630	274 720	303 035	332 388
Other revenue	2	205 629	73 366	78 177	52 167	53 322	53 322	53 322	36 173	29 195	30 742
Gains on disposal of PPE		4 220	104	6 311	2 000	–	–	–	50 000	–	–
Total Revenue (excluding capital transfers and contributions)		**1 683 657**	**1 737 150**	**2 006 544**	**2 001 308**	**2 036 248**	**2 036 248**	**2 036 248**	**2 249 521**	**2 411 831**	**2 653 715**
Expenditure By Type											
Employee related costs	2	397 068	441 828	485 486	570 352	574 775	574 775	574 775	576 304	594 795	625 894
Remuneration of councillors		17 954	19 019	24 074	28 387	28 387	28 387	28 387	31 225	33 099	35 085
Debt impairment	3	82 208	28 533	221 318	45 775	117 084	117 084	117 084	109 675	114 062	117 484
Depreciation & asset impairment	2	210 655	242 282	267 571	281 809	281 809	281 809	281 809	298 154	314 552	331 853
Finance charges		45 285	45 421	55 300	58 067	53 067	53 067	53 067	56 035	51 944	48 308
Bulk purchases	2	540 935	607 052	657 955	753 733	753 695	753 695	753 695	851 312	970 636	1 106 694
Other materials	8	62 552	69 975	69 372	75 281	80 473	80 473	80 473	86 302	89 993	94 943
Contracted services		146 686	165 825	175 811	227 635	217 548	217 548	217 548	220 309	235 274	251 526
Transfers and grants		19 893	32 510	25 462	40 650	39 620	39 620	39 620	39 939	42 136	44 453
Other expenditure	4, 5	195 945	239 809	192 965	288 719	300 850	300 850	300 850	323 820	312 901	326 129
Loss on disposal of PPE											
Total Expenditure		**1 719 182**	**1 892 255**	**2 175 316**	**2 370 408**	**2 447 307**	**2 447 307**	**2 447 307**	**2 593 075**	**2 759 393**	**2 982 369**
Surplus/(Deficit)		**(35 525)**	**(155 104)**	**(168 772)**	**(369 100)**	**(411 060)**	**(411 060)**	**(411 060)**	**(343 554)**	**(347 562)**	**(328 654)**
Transfers recognised - capital		84 758	109 609	105 109	122 012	118 250	118 250	118 250	141 157	156 791	168 682
Contributions recognised - capital	6	–	–	–	–	–	–	–	–	–	–
Contributed assets											
Surplus/(Deficit) after capital transfers & contributions		**49 233**	**(45 495)**	**(63 663)**	**(247 088)**	**(292 810)**	**(292 810)**	**(292 810)**	**(202 397)**	**(190 771)**	**(159 971)**
Taxation											
Surplus/(Deficit) after taxation		**49 233**	**(45 495)**	**(63 663)**	**(247 088)**	**(292 810)**	**(292 810)**	**(292 810)**	**(202 397)**	**(190 771)**	**(159 971)**
Attributable to minorities											
Surplus/(Deficit) attributable to municipality		**49 233**	**(45 495)**	**(63 663)**	**(247 088)**	**(292 810)**	**(292 810)**	**(292 810)**	**(202 397)**	**(190 771)**	**(159 971)**
Share of surplus/ (deficit) of associate	7										
Surplus/(Deficit) for the year		**49 233**	**(45 495)**	**(63 663)**	**(247 088)**	**(292 810)**	**(292 810)**	**(292 810)**	**(202 397)**	**(190 771)**	**(159 971)**

Explanatory notes to Table A4 - Budgeted Financial Performance (revenue and expenditure)

1. Total revenue is R2 249 521 billion in 2015/16 and escalates to R2653 715 billion by 2017/18. This represents a year-on-year increase of 10.47 per cent for the 2015/16 financial year and increases to 10.03 per cent for the 2017/18 financial year.

2. Revenue to be generated from property rates is R368 044 million or increase of 6 per cent during 2015/16 financial year and increases to R408 865 million by 2017/18 which represents 10.03 per cent of the operating revenue base of the City and therefore remains a significant funding source for the municipality.

3. Services charges relating to electricity, water, sanitation and refuse removal constitutes the biggest component of the revenue basket of the City totalling R1 403 834 billion for the 2015/16 financial year and increasing to R1 752 019 billion by 2017/18. For the 2015/16 financial year services charges amount to 64 per cent of the total revenue base and grows by 10 per cent per annum over the medium-term. This growth can mainly be attributed to the high increase in the bulk prices of electricity and water.

4. Transfers recognised – operating includes the local government equitable share and other operating grants from national and provincial government. It needs to be noted that in real terms the grants receipts from national government are remaining constant over the MTREF at 13 per cent respectively**.**

5. **The following graph illustrates the major expenditure items per type.**

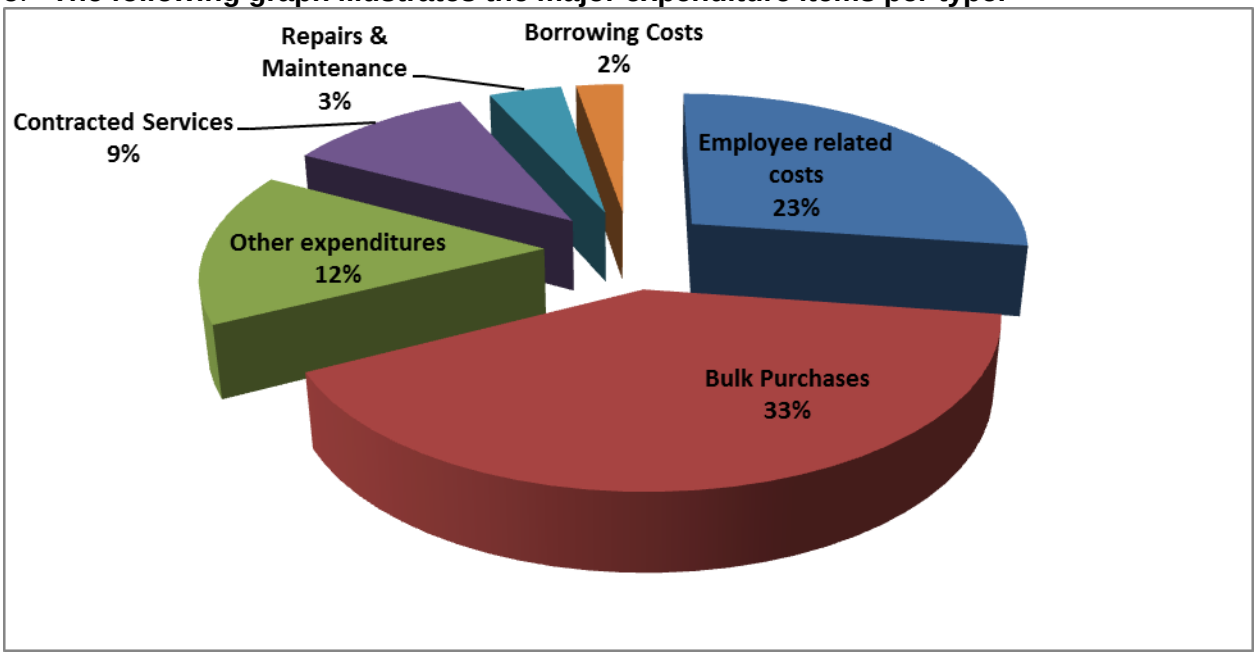
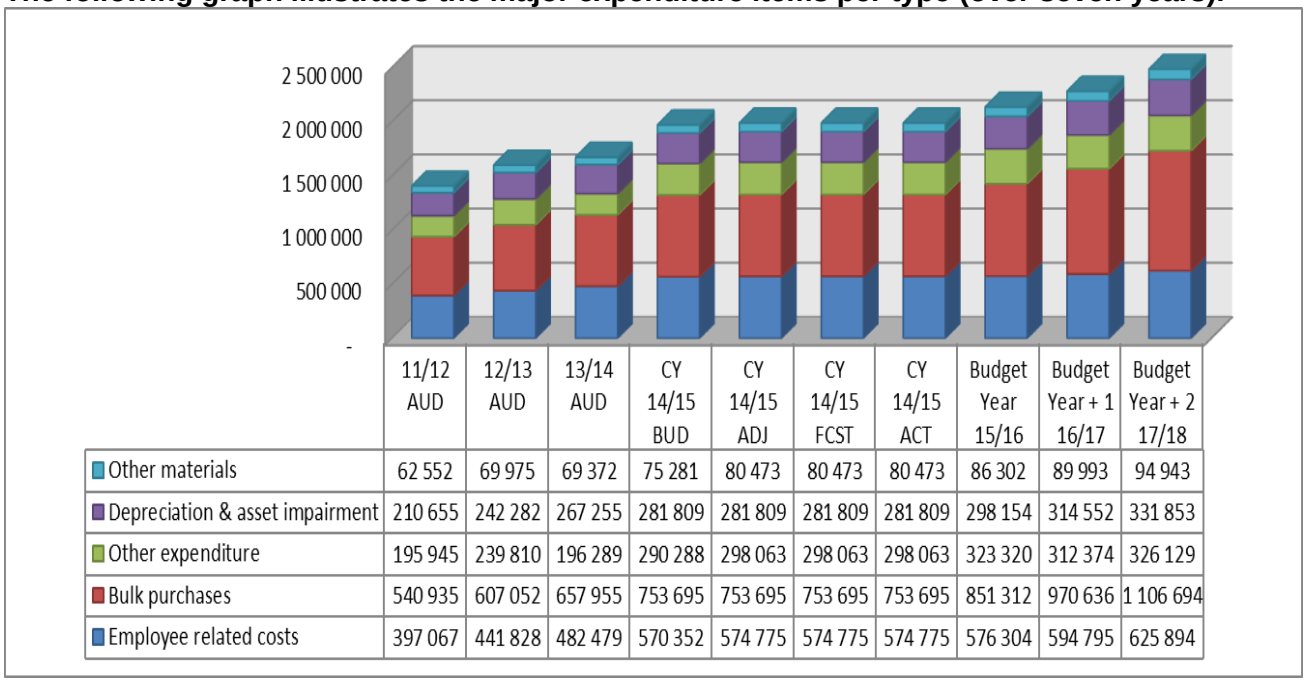


Figure 8 Expenditure by major type

6. Bulk purchases have significantly increased from 2011/12 to 2017/18 period escalating from R540 935 million to R1 106 694 billion an **increase of 105 per cent** by Eskom and Rand Water over seven years.
7. Employee related costs, bulk purchases and contracted services are the main cost drivers within the municipality and alternative operational gains and efficiencies will have to be identified to lessen the impact of wage and bulk tariff increases in future years.

8. **The following graph illustrates the major expenditure items per type (over seven years).**



	11/12 AUD	12/13 AUD	13/14 AUD	CY 14/15 BUD	CY 14/15 ADJ	CY 14/15 FCST	CY 14/15 ACT	Budget Year 15/16	Budget Year + 1 16/17	Budget Year + 2 17/18
Other materials	62 552	69 975	69 372	75 281	80 473	80 473	80 473	86 302	89 993	94 943
Depreciation & asset impairment	210 655	242 282	267 255	281 809	281 809	281 809	281 809	298 154	314 552	331 853
Other expenditure	195 945	239 810	196 289	290 288	298 063	298 063	298 063	323 320	312 374	326 129
Bulk purchases	540 935	607 052	657 955	753 695	753 695	753 695	753 695	851 312	970 636	1 106 694
Employee related costs	397 067	441 828	482 479	570 352	574 775	574 775	574 775	576 304	594 795	625 894

Figure 9 Expenditure by major type (over seven years)

Table 19 MBRR Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source

GT481 Mogale City - Table A5 Budgeted Capital Expenditure by vote, standard classification and funding

Vote Description	Ref	2011/12	2012/13	2013/14	Current Year 2014/15				2015/16 Medium Term Revenue & Expenditure Framework		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
Capital expenditure - Vote											
Multi-year expenditure *to be appropriated*	2										
Vote 1 - POLITICAL OFFICE		–	–	–	–	–	–	–	–	–	–
Vote 2 - MUNICIPAL MANAGERS OFFICE		–	–	–	–	–	–	–	–	–	–
Vote 3 - CHIEF OPERATING OFFICER		–	–	124	5	5	5	5	1 000	50	50
Vote 4 - CORPORATE SUPPORT SERVICES		24 361	–	–	–	–	–	–	–	–	–
Vote 5 - MUNICIPAL FINANCIAL SERVICES		–	–	–	–	–	–	–	–	–	–
Vote 6 - INTEGRATED ENVIRONMENTAL MANAGE		14 541	23 708	17 169	23 785	20 365	20 365	20 365	25 088	29 431	19 812
Vote 7 - SOCIAL SERVICES		3 706	7 562	24 863	26 352	10 453	10 453	10 453	19 836	8 894	15 030
Vote 8 - ECONOMIC SERVICES		–	24 763	10 011	51 200	61 380	61 380	61 380	67 260	50 000	59 727
Vote 9 - CIVIL ENGINEERING SERVICE		120 351	110 910	103 110	214 367	185 899	185 899	185 899	105 321	94 603	87 535
Vote 10 - ENERGY SERVICES		35 566	91 281	53 604	85 000	92 907	92 907	92 907	27 236	4 000	25 647
Vote 11 - [NAME OF VOTE 11]		–	–	–	–	–	–	–	–	–	–
Vote 12 - [NAME OF VOTE 12]		–	–	–	–	–	–	–	–	–	–
Vote 13 - [NAME OF VOTE 13]		–	–	–	–	–	–	–	–	–	–
Vote 14 - [NAME OF VOTE 14]		–	–	–	–	–	–	–	–	–	–
Vote 15 - [NAME OF VOTE 15]		–	–	–	–	–	–	–	–	–	–
Capital multi-year expenditure sub-total	7	**198 525**	**258 224**	**208 881**	**400 709**	**371 008**	**371 008**	**371 008**	**245 740**	**186 978**	**207 802**
Single-year expenditure *to be appropriated*	2										
Vote 1 - POLITICAL OFFICE		920	239	611	530	530	530	530	–	–	–
Vote 2 - MUNICIPAL MANAGERS OFFICE		3	79	–	959	959	959	959	–	10	–
Vote 3 - CHIEF OPERATING OFFICER		35	2 591	2 442	15 577	24 117	24 117	24 117	–	51	2 900
Vote 4 - CORPORATE SUPPORT SERVICES		3 727	1 161	362	5 602	2 082	2 082	2 082	930	4 477	1 823
Vote 5 - MUNICIPAL FINANCIAL SERVICES		107	826	1 436	3 105	3 118	3 118	3 118	1 000	–	–
Vote 6 - INTEGRATED ENVIRONMENTAL MANAGE		133	2 976	2 831	14 227	17 796	17 796	17 796	4 152	–	150
Vote 7 - SOCIAL SERVICES		3 090	32 320	17 104	11 022	14 094	14 094	14 094	16 038	5 005	3 417
Vote 8 - ECONOMIC SERVICES		1 049	521	–	13 615	8 452	8 452	8 452	6 000	100	12
Vote 9 - CIVIL ENGINEERING SERVICE		(24 943)	27 806	7 271	8 920	9 924	9 924	9 924	9 500	4 348	250
Vote 10 - ENERGY SERVICES		1 126	4 791	887	9 730	9 829	9 829	9 829	10 000	1 000	–
Vote 11 - [NAME OF VOTE 11]		–	–	–	–	–	–	–	–	–	–
Vote 12 - [NAME OF VOTE 12]		–	–	–	–	–	–	–	–	–	–
Vote 13 - [NAME OF VOTE 13]		–	–	–	–	–	–	–	–	–	–
Vote 14 - [NAME OF VOTE 14]		–	–	–	–	–	–	–	–	–	–
Vote 15 - [NAME OF VOTE 15]		–	–	–	–	–	–	–	–	–	–
Capital single-year expenditure sub-total		**(14 753)**	**73 309**	**32 943**	**83 287**	**90 901**	**90 901**	**90 901**	**47 620**	**14 991**	**8 551**
Total Capital Expenditure - Vote		**183 773**	**331 533**	**241 823**	**483 996**	**461 909**	**461 909**	**461 909**	**293 360**	**201 969**	**216 353**
Capital Expenditure - Standard											
Governance and administration		**29 153**	**4 895**	**4 974**	**25 778**	**30 811**	**30 811**	**30 811**	**2 930**	**4 588**	**4 773**
Executive and council		922	2 859	3 176	17 071	25 611	25 611	25 611	1 000	111	2 950
Budget and treasury office		107	881	1 436	3 105	3 118	3 118	3 118	1 000	–	–
Corporate services		28 124	1 155	362	5 602	2 082	2 082	2 082	930	4 477	1 823
Community and public safety		**16 860**	**39 907**	**41 967**	**37 374**	**24 547**	**24 547**	**24 547**	**35 874**	**13 899**	**18 447**
Community and social services		27 723	26 177	5 346	9 597	6 926	6 926	6 926	12 272	5 671	3 417
Sport and recreation		(10 864)	8 460	36 596	27 534	17 353	17 353	17 353	23 602	8 227	15 030
Public safety		2	5 244	25	243	268	268	268			
Housing			26								
Health						–	–	–			
Economic and environmental services		**36 881**	**95 554**	**73 562**	**167 160**	**171 445**	**171 445**	**171 445**	**149 240**	**118 484**	**126 686**
Planning and development		1 049	25 258	10 011	64 815	69 832	69 832	69 832	73 260	50 100	59 738
Road transport		31 221	49 011	52 214	76 154	73 830	73 830	73 830	58 001	44 600	48 035
Environmental protection		4 611	21 284	11 336	26 191	27 783	27 783	27 783	17 979	23 784	18 912
Trading services		**100 878**	**183 383**	**117 909**	**244 684**	**228 604**	**228 604**	**228 604**	**105 316**	**58 350**	**63 448**
Electricity		36 692	96 073	54 491	94 730	102 735	102 735	102 735	37 236	5 000	25 647
Water		2 705	22 459	29 447	85 412	81 929	81 929	81 929	33 401	18 138	11 027
Waste water management		49 857	59 452	25 307	52 721	33 563	33 563	33 563	23 419	29 565	25 723
Waste management		11 625	5 400	8 664	11 821	10 378	10 378	10 378	11 260	5 648	1 050
Other			**7 793**	**3 412**	**9 000**	**6 502**	**6 502**	**6 502**	**–**	**6 648**	**3 000**
Total Capital Expenditure - Standard	3	**183 773**	**331 533**	**241 823**	**483 996**	**461 909**	**461 909**	**461 909**	**293 360**	**201 969**	**216 353**
Funded by:											
National Government		56 066	105 073	99 782	118 118	113 875	113 875	113 875	136 636	152 791	165 695
Provincial Government		14 358	18 663	3 314	3 895	4 376	4 376	4 376	4 521	4 000	2 987
District Municipality			900	2 185		–	–	–			
Other transfers and grants						–	–	–			
Transfers recognised - capital	4	**70 424**	**124 636**	**105 281**	**122 012**	**118 250**	**118 250**	**118 250**	**141 157**	**156 791**	**168 682**
Public contributions & donations	5					10 000	10 000	10 000	8 500		
Borrowing	6	(9 352)	167 773	23 221	239 500	239 500	239 500	239 500	37 269		
Internally generated funds		122 700	39 124	113 321	122 484	94 159	94 159	94 159	106 434	45 178	47 671
Total Capital Funding	7	**183 773**	**331 533**	**241 823**	**483 996**	**461 909**	**461 909**	**461 909**	**293 360**	**201 969**	**216 353**

Explanatory notes to Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source

1. Table A5 is a breakdown of the capital programme in relation to capital expenditure by municipal vote (multi-year and single-year appropriations); capital expenditure by standard classification; and the funding sources necessary to fund the capital budget, including information on capital transfers from national and provincial departments.

2. The MFMA provides that a municipality may approve multi-year or single-year capital budget appropriations. In relation to multi-year appropriations, for 2015/16, R245 740 million has been allocated to capital budget of which R68 633 million is funded from own generated revenue representing 36 per cent of the total capital budget. **Due to severe financial constraints about 72 per cent or R92 849 million of own funded capital projects from the original requests were allocated to the two outer years of the MTREF.**

3. Single-year capital expenditure has been appropriated at R47 620 million for the 2015/16 financial year and decreases over the MTREF.

4. Unlike multi-year capital appropriations, single-year appropriations relate to expenditure that will be incurred in the specific budget year such as the procurement of office furniture and specialized tools and equipment. The budget appropriations for the two outer years are indicative allocations based on the departmental requirements as informed by the IDP and will be reviewed on an annual basis to assess the relevance of the expenditure in relation to the strategic objectives and service delivery imperatives of the City. For the purpose of funding assessment of the MTREF, these appropriations have been included but no commitments will be incurred against single-year appropriations for the two outer-years.

5. The capital programme is funded from national grants and transfers, roll over of DBSA loan from 2014/15 financial year, donations European Union and internally generated funds to be raised during 2015/16 financial year. For 2015/16, capital transfers totals R141 156 747 (58 per cent) and increase to R168 682 160 by 2017/18 (78 per cent). Internally generated funding during 2016/17 and 2017/18 is appropriated to R45 177 956 and R47 670 823 respectively.

Table 20 MBRR Table A6 - Budgeted Financial Position

GT481 Mogale City - Table A6 Budgeted Financial Position

Description	Ref	2011/12	2012/13	2013/14	Current Year 2014/15				2015/16 Medium Term Revenue & Expenditure Framework		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
ASSETS											
Current assets											
Cash		13 563	33 422	27 232	6 892	1 858	1 858	1 858	217	41 176	87 816
Call investment deposits	1	30 213	56 742	69 473	–	–	–	–	–	–	–
Consumer debtors	1	304 659	394 029	360 807	348 927	397 622	397 622	397 622	362 222	361 722	361 722
Other debtors		44 683	42 451	55 433	47 185	55 130	55 130	55 130	56 455	58 587	61 705
Current portion of long-term receivables		–	–	–		–	–	–	–	–	–
Inventory	2	11 530	11 163	14 058	12 717	14 058	14 058	14 058	14 295	14 295	14 295
Total current assets		**404 647**	**537 806**	**527 002**	**415 721**	**468 667**	**468 667**	**468 667**	**433 189**	**475 780**	**525 539**
Non current assets											
Long-term receivables											
Investments		38 244	47 108	53 935	62 084	62 084	62 084	62 084	63 559	63 559	63 559
Investment property		568 269	480 517	502 512	512 781	502 512	502 512	502 512	502 512	502 512	502 512
Investment in Associate											
Property, plant and equipment	3	5 131 730	5 266 511	5 229 164	5 385 874	5 202 522	5 202 522	5 202 522	5 195 906	5 076 512	4 959 159
Agricultural											
Biological		3 396	–	–	3 617	–	–	–	–	–	–
Intangible		4 221	1 143	4 860	19 257	10 036	10 036	10 036	16 737	62 609	69 642
Other non-current assets		513	620	620	620						
Total non current assets		**5 746 372**	**5 795 898**	**5 791 091**	**5 984 232**	**5 777 153**	**5 777 153**	**5 777 153**	**5 778 714**	**5 705 192**	**5 594 872**
TOTAL ASSETS		**6 151 018**	**6 333 705**	**6 318 093**	**6 399 953**	**6 245 821**	**6 245 821**	**6 245 821**	**6 211 903**	**6 180 972**	**6 120 410**
LIABILITIES											
Current liabilities											
Bank overdraft	1										
Borrowing	4	17 961	21 945	23 154	36 594	30 993	30 993	30 993	33 684	106 093	15 388
Consumer deposits		35 997	39 458	45 609	40 090	40 090	40 090	40 090	46 667	49 012	47 134
Trade and other payables	4	450 237	509 300	551 967	426 884	426 884	426 884	426 884	420 891	445 788	432 586
Provisions		14 147	9 776	12 013	18 671	12 013	12 013	12 013	13 266	13 757	14 568
Total current liabilities		**518 342**	**580 479**	**632 744**	**522 238**	**509 980**	**509 980**	**509 980**	**514 508**	**614 650**	**509 676**
Non current liabilities											
Borrowing		189 301	346 623	321 818	432 681	432 681	432 681	432 681	517 140	483 456	377 363
Provisions		156 415	174 561	192 501	156 877	195 102	195 102	195 102	194 987	197 886	202 754
Total non current liabilities		**345 716**	**521 183**	**514 319**	**589 559**	**627 783**	**627 783**	**627 783**	**712 127**	**681 341**	**580 117**
TOTAL LIABILITIES		**864 058**	**1 101 662**	**1 147 063**	**1 111 797**	**1 137 763**	**1 137 763**	**1 137 763**	**1 226 634**	**1 295 992**	**1 089 793**
NET ASSETS	5	**5 286 960**	**5 232 042**	**5 171 030**	**5 288 156**	**5 108 057**	**5 108 057**	**5 108 057**	**4 985 269**	**4 884 980**	**5 030 617**
COMMUNITY WEALTH/EQUITY											
Accumulated Surplus/(Deficit)		5 286 960	5 225 813	5 162 150	5 288 156	5 099 177	5 099 177	5 099 177	4 974 290	4 872 083	5 020 160
Reserves	4	–	6 229	8 880	–	8 880	8 880	8 880	10 979	12 897	10 457
Minorities' interests											
TOTAL COMMUNITY WEALTH/EQUITY	5	**5 286 960**	**5 232 042**	**5 171 030**	**5 288 156**	**5 108 057**	**5 108 057**	**5 108 057**	**4 985 269**	**4 884 980**	**5 030 617**

Explanatory notes to Table A6 - Budgeted Financial Position

1. Table A6 is consistent with international standards of good financial management practice, and improves understandability for councilors and management of the impact of the budget on the statement of financial position (balance sheet).

2. This format of presenting the statement of financial position is aligned to GRAP1, which is generally aligned to the international version which presents Assets less Liabilities as “accounting” Community Wealth. The order of items within each group illustrates items in order of liquidity; i.e. assets readily converted to cash, or liabilities immediately required to be met from cash, appear first.

3. The municipal equivalent of equity is Community Wealth/Equity. The justification is that ownership and the net assets of the municipality belong to the community.

4. Any movement on the Budgeted Financial Performance or the Capital Budget will inevitably impact on the Budgeted Financial Position. As an example, the collection rate assumption will impact on the cash position of the municipality and subsequently inform the level of cash and cash equivalents at

year end. Similarly, the collection rate assumption should inform the budget appropriation for debt impairment which in turn would impact on the provision for bad debt. These budget and planning assumptions form a critical link in determining the applicability and relevance of the budget as well as the determination of ratios and financial indicators. In addition the funding compliance assessment is informed directly by forecasting the statement of financial position.

Table 21 MBRR Table A7 - Budgeted Cash Flow Statement

GT481 Mogale City - Table A7 Budgeted Cash Flows

Description	Ref	2011/12	2012/13	2013/14	Current Year 2014/15				2015/16 Medium Term Revenue & Expenditure Framework		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
CASH FLOW FROM OPERATING ACTIVITIES											
Receipts											
Property rates, penalties & collection charges		300 098	322 147	375 912	338 425	355 579	355 579	355 579	380 150	403 000	433 149
Service charges		864 111	906 390	952 969	1 243 339	1 209 865	1 209 865	1 209 865	1 350 542	1 518 481	1 732 388
Other revenue		224 625	88 261	166 424	409 068	379 924	379 924	379 924	194 402	88 172	92 296
Government - operating	1	198 644	224 377	233 575	250 984	253 630	253 630	253 630	274 720	303 035	332 388
Government - capital	1	103 357	120 383	109 235	122 012	118 250	118 250	118 250	141 157	156 791	168 682
Interest		14 919	23 886	27 142	15 201	38 138	38 138	38 138	40 237	42 450	44 700
Dividends		13		34					–	–	–
Payments											
Suppliers and employees		(1 467 135)	(1 400 128)	(1 524 575)	(2 030 297)	(2 104 144)	(2 104 144)	(2 104 144)	(1 977 841)	(2 141 238)	(2 341 758)
Finance charges		(45 285)	(45 421)	(55 300)	(58 067)	(53 067)	(53 067)	(53 067)	(56 035)	(51 944)	(48 308)
Transfers and Grants	1	(19 893)	(32 510)	(25 462)	(40 650)	(39 620)	(39 620)	(39 620)	(64 439)	(42 136)	(44 453)
NET CASH FROM/(USED) OPERATING ACTIVITIES		**173 454**	**207 386**	**259 954**	**250 015**	**158 555**	**158 555**	**158 555**	**282 892**	**276 612**	**369 086**
CASH FLOWS FROM INVESTING ACTIVITIES											
Receipts											
Proceeds on disposal of PPE		9 592	–	1 161	2 000	–	–	–	50 000	–	–
Decrease (Increase) in non-current debtors		–				–	–	–	–	–	–
Decrease (increase) other non-current receivables		–				–	–	–	–	–	–
Decrease (increase) in non-current investments		–				–	–	–	–	–	–
Payments											
Capital assets		(168 959)	(323 911)	(222 054)	(483 996)	(461 909)	(461 909)	(461 909)	(293 360)	(201 969)	(216 353)
NET CASH FROM/(USED) INVESTING ACTIVITIES		**(159 367)**	**(323 911)**	**(220 893)**	**(481 996)**	**(461 909)**	**(461 909)**	**(461 909)**	**(243 360)**	**(201 969)**	**(216 353)**
CASH FLOWS FROM FINANCING ACTIVITIES											
Receipts											
Short term loans		–		–		–	–	–	–	–	–
Borrowing long term/refinancing		–	190 994	–	239 500	239 500	239 500	239 500	–	–	–
Increase (decrease) in consumer deposits		958	–	–	727	–	–	–	–	–	–
Payments											
Repayment of borrowing		(10 605)	(28 080)	(32 519)	(28 621)	(30 993)	(30 993)	(30 993)	(41 173)	(33 684)	(106 093)
NET CASH FROM/(USED) FINANCING ACTIVITIES		**(9 647)**	**162 914**	**(32 519)**	**211 606**	**208 507**	**208 507**	**208 507**	**(41 173)**	**(33 684)**	**(106 093)**
NET INCREASE/ (DECREASE) IN CASH HELD		**4 440**	**46 388**	**6 541**	**(20 375)**	**(94 847)**	**(94 847)**	**(94 847)**	**(1 641)**	**40 959**	**46 640**
Cash/cash equivalents at the year begin:	2	**39 336**	**43 775**	**90 163**	**27 267**	**96 705**	**96 705**	**96 705**	**1 858**	**217**	**41 176**
Cash/cash equivalents at the year end:	2	**43 775**	**90 163**	**96 705**	**6 892**	**1 858**	**1 858**	**1 858**	**217**	**41 176**	**87 816**

Table 22 MBRR Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation

GT481 Mogale City - Table A8 Cash backed reserves/accumulated surplus reconciliation

Description	Ref	2011/12	2012/13	2013/14	Current Year 2014/15				2015/16 Medium Term Revenue & Expenditure Framework		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
Cash and investments available											
Cash/cash equivalents at the year end	1	43 775	90 163	96 705	6 892	1 858	1 858	1 858	217	41 176	87 816
Other current investments > 90 days		0	0	0	(0)	(0)	(0)	(0)	0	0	0
Non current assets - Investments	1	38 244	47 108	53 935	62 084	62 084	62 084	62 084	63 559	63 559	63 559
Cash and investments available:		**82 019**	**137 271**	**150 639**	**68 975**	**63 942**	**63 942**	**63 942**	**63 776**	**104 735**	**151 375**
Application of cash and investments											
Unspent conditional transfers		13 874	7 984	8 183	–	–	–	–	–	–	–
Unspent borrowing		–	–	–	–	53 200	53 200		–	–	–
Statutory requirements	2	68 725	70 832	70 446	70 832	70 446	70 446	70 446	65 446	20 446	40 446
Other working capital requirements	3	35 530	43 059	117 810	(99 383)	(143 659)	(143 659)	(143 659)	(78 991)	(33 863)	(56 534)
Other provisions		14 147	9 776	12 013	18 671	12 013	12 013	12 013	13 215	13 215	13 215
Long term investments committed	4	59 323	46 659	53 332	62 084	62 084	62 084	62 084	63 559	63 559	63 559
Reserves to be backed by cash/investments	5										
Total Application of cash and investments:		**191 598**	**178 309**	**261 784**	**52 203**	**54 084**	**54 084**	**884**	**63 229**	**63 357**	**60 686**
Surplus(shortfall)		**(109 579)**	**(41 038)**	**(111 145)**	**16 772**	**9 858**	**9 858**	**63 058**	**547**	**41 378**	**90 689**

Explanatory notes to Table A7 - Budgeted Cash Flow Statement

1. The budgeted cash flow statement is the first measurement in determining if the budget is funded.

2. It shows the expected level of cash in-flow versus cash out-flow that is likely to result from the implementation of the budget.

3. As part of the 2014/15 mid-year review and Adjustments Budget this unsustainable cash position had to be addressed as a matter of urgency and various interventions were implemented such as the reduction of expenditure allocations.

4. Cash and cash equivalents at the beginning of year predicts a surplus of R1 858 million and as at the end of the 2015/16 financial year project a small surplus of R217k and increases to R87 816 million by 2017/18.

Explanatory notes to Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation

1. The cash backed reserves/accumulated surplus reconciliation is aligned to the requirements of MFMA Circular 42 – Funding a Municipal Budget.

2. In essence the table evaluates the funding levels of the budget by firstly forecasting the cash and investments at year end and secondly reconciling the available funding to the liabilities/commitments that exist.

3. The outcome of this exercise would either be a surplus or deficit. **A deficit would indicate that the applications exceed the cash and investments available and would be indicative of non-compliance with the MFMA requirements that the municipality's budget must be "funded".**

4. From the table above it can be seen that for the period 2011/12 shows a shortfall of R109 579 million then during 2014/15 Adjustment Budget indicates a surplus R9 858 million. During 2015/16 financial year predictions is that Mogale City will have a surplus of R547k and increases to R90 689 million in 2017/18 financial year.

5. The objective for the final approval budget for the 2015/16 MTREF was to ensure that the budget is funded and aligned to section 18 of the MFMA.

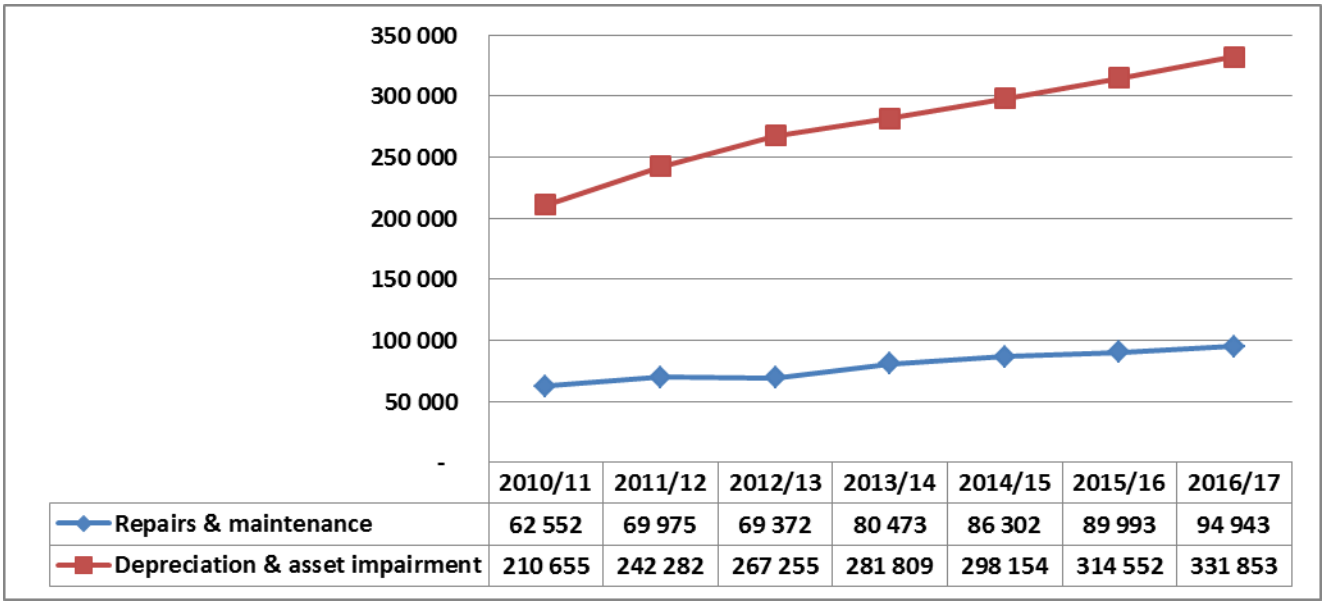
Table 23 MBRR Table A9 - Asset Management

GT481 Mogale City - Table A9 Asset Management

Description	Ref	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
CAPITAL EXPENDITURE										
Total New Assets	1	**100 839**	**190 714**	**92 159**	**319 032**	**336 661**	**336 661**	**189 041**	**131 021**	**184 198**
Infrastructure - Road transport		–	8 536	1 512	59 054	52 660	52 660	43 001	29 000	46 785
Infrastructure - Electricity		37 137	96 073	54 468	83 400	92 900	92 900	25 400	4 000	11 000
Infrastructure - Water		2 703	20 623	7 674	43 500	43 500	43 500	30 401	11 400	11 027
Infrastructure - Sanitation		–	–	5 113	16 700	17 590	17 590	4 000	15 644	15 616
Infrastructure - Other		–	753	–	3 500	1 100	1 100	–	750	9 727
Infrastructure		*39 839*	*125 984*	*68 767*	*206 154*	*207 750*	*207 750*	*102 802*	*60 794*	*94 154*
Community		40 747	30 061	7 826	19 639	20 758	20 758	10 049	11 436	33 880
Heritage assets		–	–	–	–	–	–	–	–	–
Investment properties		–	–	–	–	–	–	–	–	–
Other assets	6	20 253	34 239	12 824	79 022	88 706	88 706	75 260	52 834	53 311
Agricultural Assets		–	–	–	90	24	24	–	–	–
Biological assets		–	–	–	–	–	–	–	–	–
Intangibles		–	430	2 742	14 128	19 423	19 423	930	5 957	2 853
Total Renewal of Existing Assets	2	**82 933**	**140 819**	**149 664**	**164 964**	**125 248**	**125 248**	**104 319**	**70 948**	**32 155**
Infrastructure - Road transport		31 048	40 476	50 702	17 000	17 000	17 000	15 000	15 500	–
Infrastructure - Electricity		–	7 918	15	8 000	6 407	6 407	11 836	1 000	14 647
Infrastructure - Water		–	53 370	21 774	41 912	38 496	38 496	3 000	3 738	–
Infrastructure - Sanitation		49 857	–	20 191	33 901	15 015	15 015	19 419	12 121	10 108
Infrastructure - Other		4 477	4 646	10 070	3 000	3 000	3 000	–	2 400	1 000
Infrastructure		*85 382*	*106 410*	*102 752*	*103 813*	*79 918*	*79 918*	*49 255*	*34 758*	*25 755*
Community		(2 449)	29 119	42 755	30 035	17 721	17 721	54 664	34 839	6 100
Heritage assets		–	–	–	4 000	1 900	1 900	400	–	–
Investment properties		–	–	–	–	–	–	–	–	–
Other assets	6	–	5 289	4 157	27 116	25 710	25 710	–	1 350	300
Agricultural Assets		–	–	–	–	–	–	–	–	–
Biological assets		–	–	–	–	–	–	–	–	–
Intangibles		–	–	–	–	–	–	–	–	–
Total Capital Expenditure	4									
Infrastructure - Road transport		31 048	49 011	52 214	76 054	69 660	69 660	58 001	44 500	46 785
Infrastructure - Electricity		37 137	103 991	54 483	91 400	99 307	99 307	37 236	5 000	25 647
Infrastructure - Water		2 703	73 993	29 447	85 412	81 996	81 996	33 401	15 138	11 027
Infrastructure - Sanitation		49 857	–	25 304	50 601	32 605	32 605	23 419	27 765	25 723
Infrastructure - Other		4 477	5 400	10 070	6 500	4 100	4 100	–	3 150	10 727
Infrastructure		*125 221*	*232 395*	*171 518*	*309 967*	*287 668*	*287 668*	*152 057*	*95 553*	*119 909*
Community		38 299	59 180	50 581	49 673	38 479	38 479	64 713	46 276	39 980
Heritage assets		–	–	–	4 000	1 900	1 900	400	–	–
Investment properties		–	–	–	–	–	–	–	–	–
Other assets		20 253	39 528	16 981	106 138	114 416	114 416	75 260	54 184	53 611
Agricultural Assets		–	–	–	90	24	24	–	–	–
Biological assets		–	–	–	–	–	–	–	–	–
Intangibles		–	430	2 742	14 128	19 423	19 423	930	5 957	2 853
TOTAL CAPITAL EXPENDITURE - Asset class	2	**183 773**	**331 533**	**241 823**	**483 996**	**461 909**	**461 909**	**293 360**	**201 969**	**216 353**
ASSET REGISTER SUMMARY - PPE (WDV)	5									
Infrastructure - Road transport		2 264 118	2 222 597	2 192 907	2 097 718	2 190 584	2 190 584	2 073 416	1 942 090	1 804 217
Infrastructure - Electricity		1 018 928	1 093 165	1 072 194	1 178 333	1 080 200	1 080 200	1 083 312	1 052 312	1 039 979
Infrastructure - Water		469 624	465 505	489 514	512 655	477 242	477 242	478 498	459 724	434 973
Infrastructure - Sanitation		549 173	580 039	560 640	622 486	550 271	550 271	573 060	600 161	625 184
Infrastructure - Other		266 893	188 433	167 151	319 461	168 059	168 059	202 339	211 964	226 164
Infrastructure		*4 568 735*	*4 549 740*	*4 482 407*	*4 730 654*	*4 466 355*	*4 466 355*	*4 410 627*	*4 266 251*	*4 130 517*
Community		518 105	669 629	713 535	603 334	700 702	700 702	754 535	786 118	813 652
Heritage assets		513	620	620	620	620	620	620	620	620
Investment properties		568 269	480 517	502 512	512 781	502 512	502 512	502 512	502 512	502 512
Other assets		44 377	46 523	32 603	51 268	34 846	34 846	30 124	23 523	14 371
Agricultural Assets		–	–	–	–	–	–	–	–	–
Biological assets		3 396	–	–	3 617	–	–	–	–	–
Intangibles		4 221	1 143	4 860	19 257	10 036	10 036	16 737	62 609	69 642
TOTAL ASSET REGISTER SUMMARY - PPE (WDV	5	**5 707 616**	**5 748 171**	**5 736 537**	**5 921 528**	**5 715 070**	**5 715 070**	**5 715 155**	**5 641 632**	**5 531 313**
EXPENDITURE OTHER ITEMS										
Depreciation & asset impairment		210 655	242 282	267 571	281 809	281 809	281 809	298 154	314 552	331 853
Repairs and Maintenance by Asset Class	3	62 552	69 975	69 372	75 370	80 473	80 473	86 302	89 993	94 943
Infrastructure - Road transport		10 730	22 765	5 691	8 034	7 634	7 634	8 092	8 537	9 007
Infrastructure - Electricity		20 898	24 463	10 472	28 878	34 611	34 611	36 971	39 004	41 149
Infrastructure - Water		6 127	7 571	2 887	5 392	5 402	5 402	5 727	6 041	6 374
Infrastructure - Sanitation		5 358	10 348	9 482	9 574	9 098	9 098	9 644	10 174	10 734
Infrastructure - Other		4 541	3 555	6 039	3 882	3 882	3 882	5 115	4 341	4 580
Infrastructure		*47 654*	*68 702*	*34 572*	*55 760*	*60 627*	*60 627*	*65 548*	*68 098*	*71 843*
Community		6 352	6 137	6 189	7 509	7 501	7 501	7 951	8 388	8 850
Heritage assets		–	–	–	–	–	–	–	–	–
Investment properties		–	–	–	–	–	–	–	–	–
Other assets	6, 7	8 546	(4 864)	28 612	12 102	12 345	12 345	12 803	13 507	14 250
TOTAL EXPENDITURE OTHER ITEMS		**273 207**	**312 257**	**336 943**	**357 179**	**362 282**	**362 282**	**384 456**	**404 546**	**426 796**
Renewal of Existing Assets as % of total capex		*45.1%*	*42.5%*	*61.9%*	*34.1%*	*27.1%*	*27.1%*	*35.6%*	*35.1%*	*14.9%*
Renewal of Existing Assets as % of deprecn"		*39.4%*	*58.1%*	*55.9%*	*58.5%*	*44.4%*	*44.4%*	*35.0%*	*22.6%*	*9.7%*
R&M as a % of PPE		*1.2%*	*1.3%*	*1.3%*	*1.4%*	*1.5%*	*1.5%*	*1.7%*	*1.8%*	*1.9%*
Renewal and R&M as a % of PPE		*3.0%*	*4.0%*	*4.0%*	*4.0%*	*4.0%*	*4.0%*	*3.0%*	*3.0%*	*2.0%*

Explanatory notes to Table A9 - Asset Management

1. Table A9 provides an overview of municipal capital allocations to building new assets and the renewal of existing assets, as well as spending on repairs and maintenance by asset class.
2. National Treasury has recommended that municipalities should allocate at least 40 per cent of their capital budget to the renewal of existing assets, and allocations to repairs and maintenance should be 8 per cent of total value of PPE.
3. During 2015/16 financial year 35.6 per cent of capital budget is allocated to renewal of existing assets and decreases over the MTREF, repairs & maintenance as a percentage of PPE for 2015/16 is 1.7 per cent and increases to 1.9 per cent over MTREF. Mogale City will continue and strive to renew, upgrade and maintain its assets to deliver better quality service to all.
4. The following graph provides an analysis between depreciation and operational repairs and maintenance over the MTREF. It highlights the City's strategy to address the maintenance backlog.



	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17
Repairs & maintenance	62 552	69 975	69 372	80 473	86 302	89 993	94 943
Depreciation & asset impairment	210 655	242 282	267 255	281 809	298 154	314 552	331 853

Figure 10 Depreciation in relation to repairs and maintenance over the MTREF

Table 24 MBRR Table A10 - Basic Service Delivery Measurement

GT481 Mogale City - Table A10 Basic service delivery measurement

Description	Ref	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
		Outcome	Outcome	Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
Household service targets	1									
Water:										
Piped water inside dwelling		57 481	58 981	64 283	70 711	70 711	70 711	72 338	74 001	75 703
Piped water inside yard (but not in dwelling)		38 074	38 274	38 116	38 497	38 497	38 497	38 690	38 883	39 078
Using public tap (at least min.service level)	2	4 164	4 464	7 020	5 356	5 356	5 356	5 383	5 615	5 834
Other water supply (at least min.service level)	4	–	–	–	–	–	–	–	–	–
Minimum Service Level and Above sub-total		99 719	101 719	109 419	114 564	114 564	114 564	116 410	118 500	120 615
Using public tap (< min.service level)	3	–	–	4 500	4 275	4 275	4 275	3 873	3 641	3 422
Other water supply (< min.service level)	4	1 309	1 309	–	–	–	–	1 291	1 214	1 141
No water supply		3 804	3 613	3 454	3 281	3 281	3 281	3 117	2 930	2 754
Below Minimum Service Level sub-total		5 113	4 922	7 954	7 556	7 556	7 556	8 281	7 784	7 317
Total number of households	5	**104 832**	**106 641**	**117 373**	**122 120**	**122 120**	**122 120**	**124 691**	**126 284**	**127 931**
Sanitation/sewerage:										
Flush toilet (connected to sewerage)		124 216	124 716	91 757	96 345	96 345	96 345	101 162	103 932	106 696
Flush toilet (with septic tank)		58 380	58 400	6 781	6 781	6 781	6 781	6 815	6 474	6 150
Chemical toilet		46 009	46 109	3 430	3 430	3 430	3 430	3 404	3 234	3 072
Pit toilet (ventilated)		–	–	2 755	2 755	2 755	2 755	2 700	2 565	2 437
Other toilet provisions (> min.service level)		88 640	88 740	5 675	5 675	5 675	5 675	5 634	5 352	5 085
Minimum Service Level and Above sub-total		317 245	317 965	110 398	114 986	114 986	114 986	119 715	121 557	123 440
Bucket toilet		–	–	3 702	3 702	3 702	3 702	2 817	2 676	2 542
Other toilet provisions (< min.service level)		–	–	971	971	971	971	728	692	657
No toilet provisions		2 085	1 085	2 302	2 461	2 461	2 461	1 431	1 359	1 291
Below Minimum Service Level sub-total		2 085	1 085	6 975	7 134	7 134	7 134	4 976	4 727	4 491
Total number of households	5	**319 330**	**319 050**	**117 373**	**122 120**	**122 120**	**122 120**	**124 691**	**126 284**	**127 931**
Energy:										
Electricity (at least min.service level)		23 738	24 925	24 925	104 856	104 856	104 856	107 477	110 164	112 918
Electricity - prepaid (min.service level)		5 748	6 035	6 034	6 275	6 275	6 275	6 307	6 338	6 370
Minimum Service Level and Above sub-total		29 486	30 960	30 959	111 131	111 131	111 131	113 784	116 503	119 288
Electricity (< min.service level)		–	–	–	–	–	–	–	–	–
Electricity - prepaid (< min. service level)		5 546	5 823	5 823	6 056	6 056	6 056	6 086	6 117	6 147
Other energy sources		–	–	–	4 933	4 933	4 933	4 821	3 665	2 495
Below Minimum Service Level sub-total		5 546	5 823	5 823	10 989	10 989	10 989	10 907	9 781	8 643
Total number of households	5	**35 032**	**36 784**	**36 782**	**122 120**	**122 120**	**122 120**	**124 691**	**126 284**	**127 931**
Refuse:										
Removed at least once a week		79 650	81 500	93 488	101 000	101 000	101 000	103 020	105 544	108 130
Minimum Service Level and Above sub-total		79 650	81 500	93 488	101 000	101 000	101 000	103 020	105 544	108 130
Removed less frequently than once a week		–	–	2 159	2 159	2 159	2 159	2 073	1 990	1 910
Using communal refuse dump		–	–	3 091	3 091	3 091	3 091	2 967	2 849	2 735
Using own refuse dump		–	–	13 720	13 720	13 720	13 720	13 171	12 644	12 139
Other rubbish disposal		–	–	824	824	824	824	791	759	729
No rubbish disposal		–	–	4 091	4 091	4 091	4 091	2 668	2 498	2 289
Below Minimum Service Level sub-total		–	–	23 885	23 885	23 885	23 885	21 671	20 740	19 801
Total number of households	5	**79 650**	**81 500**	**117 373**	**124 885**	**124 885**	**124 885**	**124 691**	**126 284**	**127 931**
Households receiving Free Basic Service	7									
Water (6 kilolitres per household per month)		16 978	17 827	40 736	40 736	40 736	40 736	45 500	45 728	45 956
Sanitation (free minimum level service)		8 500	11 000	6 023	8 969	8 969	8 969	11 500	11 500	11 600
Electricity/other energy (50kwh per household per mo		8 500	11 000	6 023	8 969	8 969	8 969	11 500	11 500	11 600
Refuse (removed at least once a week)		8 500	11 000	6 023	8 969	8 969	8 969	11 500	11 500	11 600
Cost of Free Basic Services provided (R'000)	8	–	–	–	–	–	–	–	–	–
Water (6 kilolitres per household per month)		66 000	69 300	224	80 041	80 041	80 041	91 648	97 146	102 975
Sanitation (free sanitation service)		12 384	13 003	924	15 018	15 018	15 018	17 196	18 228	19 322
Electricity/other energy (50kwh per household per mo		4 631	4 863	188	5 617	5 617	5 617	6 414	6 799	7 207
Refuse (removed once a week)		8 604	9 034	682	10 434	10 434	10 434	11 060	11 724	12 427
Total cost of FBS provided (minimum social packa		**91 619**	**96 200**	**2 018**	**111 111**	**111 111**	**111 111**	**126 318**	**133 897**	**141 931**
Highest level of free service provided										
Property rates (R value threshold)		–	–	40 000	398	398	398	40 000	40 000	40 000
Water (kilolitres per household per month)		6	6	6	6	6	6	6	6	6
Sanitation (kilolitres per household per month)		6	6	6	6	6	6	6	6	6
Sanitation (Rand per household per month)		125	137	153	160	160	160	165	170	175
Electricity (kwh per household per month)		50	50	50	50	50	50	50	50	50
Refuse (average litres per week)		96	105	121	121	121	121	240	240	240
Revenue cost of free services provided (R'000)	9									
Property rates (R15 000 threshold rebate)		400	420	485	485	485	485	500	550	600
Property rates (other exemptions, reductions and rebates)		16 485	17 310	460 554	19 993	19 993	19 993	21 192	22 464	23 811
Water		66 678	70 012	80 864	80 864	80 864	80 864	12 891	12 956	13 020
Sanitation		12 384	13 003	923 687	15 018	15 018	15 018	22 770	22 770	22 968
Electricity/other energy		93	97	279	112	112	112	141	141	167
Refuse		8 604	9 034	682 045	10 434	10 434	10 434	16 721	16 721	16 867
Municipal Housing - rental rebates		–	–	–	–	–	–	–	–	–
Housing - top structure subsidies	6	–	–	–	–	–	–	–	–	–
Other		–	–	–	–	–	–	–	–	–
Total revenue cost of free services provided (total social package)		**104 643**	**109 876**	**2 147 914**	**126 906**	**126 906**	**126 906**	**74 216**	**75 602**	**77 434**

Explanatory notes to Table A10 - Basic Service Delivery Measurement

1. Table A10 provides an overview of service delivery levels, including backlogs (below minimum service level), for each of the main services.

2. Mogale City continues to make progress with the eradication of backlogs:
    a. Water services – (minimum service level) 1 291 households are provided by water through water tankering. These households are largely found in 'rural areas' and these areas are the key focus priority of the City in eradicating poverty and low service delivery.
    b. Sanitation services – backlog have been eradicated as the City is providing or renting chemical toilets mostly for Informal Settlements in rural areas.
    c. Electricity services - as indicated elsewhere, the emphasis in the electricity sector is on addressing urgent network upgrades. Once the most pressing network issues have been addressed, the electrification programme will be prioritised.

3. The budget provides for 11 500 households to be registered as indigent in 2015/16 currently Mogale City is providing free basic services to 8 969 households. The number is set to increase to 20 000 households given the rapid rate of in-migration to the City, especially by poor people seeking economic opportunities.

4. It is anticipated that these Free Basic Services will cost the municipality R126 318 million in 2015/16, increasing to R141 931 million in 2017/18. This is covered by the municipality's equitable share allocation from national government.

5. In addition to the Free Basic Services in terms of property rates rebates, the City also 'gives' households R21 192 million in exemptions, reductions and rebates during 2015/16, and it increases to R23 811 million in 2017/18. This 'tax expenditure' needs to be seen within the context of the municipality's overall revenue management strategy – the more the municipality gives away, the less there is available to fund other services.

Table 25 MBRR Table A11 – Schedule of Service Delivery Standards

Description Standard	Service Level
Solid Waste Removal	
Premise based removal (Residential Frequency)	1x per weeek
Premise based removal (Business Frequency)	1x per week
Bulk Removal (Frequency)	once in 2 weeks
Removal Bags provided(Yes/No)	none
Garden refuse removal Included (Yes/No)	private
Street Cleaning Frequency in CBD	daily
Street Cleaning Frequency in areas excluding CBD	once a week
How soon are public areas cleaned after events (24hours/48hours/longer)	Immediately
Clearing of illegal dumping (24hours/48hours/longer)	per cleanup programme
Recycling or environmentally friendly practices(Yes/No)	yes
Licenced landfill site(Yes/No)	yes
Water Service	
Water Quality rating (Blue/Green/Brown/N0 drop)	Blue
Is free water available to all? (All/only to the indigent consumers)	All except business
Frequency of meter reading? (per month, per year)	Per month
Are estimated consumption calculated on actual consumption over (two month's/three month's/longer period)	Three months
On average for how long does the municipality use estimates before reverting back to actual readings? (months)	Three months
Duration (hours) before availability of water is restored in cases of service interruption (complete the sub questions)	
One service connection affected (number of hours)	1
Up to 5 service connection affected (number of hours)	3
Up to 20 service connection affected (number of hours)	4
Feeder pipe larger than 800mm (number of hours)	24
What is the average minimum water flow in your municipality?	20l/s
Do you practice any environmental or scarce resource protection activities as part of your operations? (Yes/No)	No
How long does it take to replace faulty water meters? (days)	2
Do you have a cathodic protection system in place that is operational at this stage? (Yes/No)	No
Electricity Service	
What is your electricity availability percentage on average per month?	0.99
Do your municipality have a ripple control in place that is operational? (Yes/No)	Yes
How much do you estimate is the cost saving in utilizing the ripple control system?	±R8 million per year
What is the frequency of meters being read? (per month, per year)	per months
Are estimated consumption calculated at consumption over (two month's/three month's/longer period)	3 months
On average for how long does the municipality use estimates before reverting back to actual readings? (months)	3 months
Duration before availability of electricity is restored in cases of breakages (immediately/one day/two days/longer)	immediately
Are accounts normally calculated on actual readings? (Yes/no)	yes
Do you practice any environmental or scarce resource protection activities as part of your operations? (Yes/No)	yes
How long does it take to replace faulty meters? (days)	3 months
Do you have a plan to prevent illegal connections and prevention of electricity theft? (Yes/No)	yes
How effective is the action plan in curbing line losses? (Good/Bad)	good
How soon does the municipality provide a quotation to a customer upon a written request? (days)	n compliance of NRS047
How long does the municipality takes to provide electricity service where existing infrastructure can be used? (working days)	
How long does the municipality takes to provide electricity service for low voltage users where network extension is not required? (working days)	n compliance of NRS047
How long does the municipality takes to provide electricity service for high voltage users where network extension is not required? (working days)	Quality of Service
Sewerage Service	
	No, upgrading Magaliesburg as well as Flip Human. Percy
Are your purification system effective enough to put water back in to the system after purification?	Stewart - Completed.
To what extend do you subsidize your indigent consumers?	100%
How long does it take to restore sewerage breakages on average	
Severe overflow? (hours)	12 to 48 hrs
Sewer blocked pipes: Large pipes? (Hours)	3-7 days
Sewer blocked pipes: Small pipes? (Hours)	48-72 hrs
Spillage clean-up? (hours)	72 hrs
Replacement of manhole covers? (Hours)	72 hrs
Road Infrastructure Services	
Time taken to repair a single pothole on a major road? (Hours)	72 hrs
Time taken to repair a single pothole on a minor road? (Hours)	72 hrs
Time taken to repair a road following an open trench service crossing? (Hours)	96 hrs
Time taken to repair walkways? (Hours)	72 hrs
Property valuations	
How long does it take on average from completion to the first account being issued? (one month/three months or longer)	One month
Do you have any special rating properties? (Yes/No)	No
Financial Management	
Is there any change in the situation of unauthorised and wasteful expenditure over time? (Decrease/Increase)	Decrease
Are the financial statement outsources? (Yes/No)	No
Are there Council adopted business process tsructuing the flow and managemet of documentation feeding to Trial Balalnce?	No
How long does it take for an Tax/Invoice to be paid from the date it has been received?	30 days
Is there advance planning from SCM unit linking all departmental plans quaterly and annualy including for the next two to three years procurement plans?	Not Yet
Administration	
Reaction time on enquiries and requests?	5 minutes
Time to respond to a verbal customer enquiry or request? (working days)	15 to 45 minutes
Time to respond to a written customer enquiry or request? (working days)	15 to 45 minutes
Time to resolve a customer enquiry or request? (working days)	15
What percentage of calls are not answered? (5%,10% or more)	not applicable
How long does it take to respond to voice mails? (hours)	Not
Does the municipality have control over locked enquiries? (Yes/No)	yes
Is there a reduction in the number of complaints or not? (Yes/No)	20 to 30 minutes
How long does in take to open an account to a new customer? (1 day/ 2 days/ a week or longer)	1 day
How many times does SCM Unit, CFO's Unit and Technical unit sit to review and resolve SCM process delays other than normal monthly management meetings?	when necessary
Community safety and licensing services	
How long does it take to register a vehicle? (minutes)	10 mintues
How long does it take to renew a vehicle license? (minutes)	5 minutes
How long does it take to issue a duplicate registration certificate vehicle? (minutes)	5 minutes
How long does it take to de-register a vehicle? (minutes)	5 minutes
How long does it take to renew a drivers license? (minutes)	20 minutes
What is the average reaction time of the fire service to an incident? (minutes)	This is the function of West Rand Distric Municipality
What is the average reaction time of the ambulance service to an incident in the urban area? (minutes)	This is the function of West Rand Distric Municipality
What is the average reaction time of the ambulance service to an incident in the rural area? (minutes)	This is the function of West Rand Distric Municipality
Economic development	
How many economic development projects does the municipality drive?	5
How many economic development programme are deemed to be catalytic in creating an enabling environment to unlock key economic growth projects?	6
What percentage of the projects have created sustainable job security?	40%
Does the municipality have any incentive plans in place to create an conducive environment for economic development? (Yes/No)	No but the municipality is using the following approaches: Co-funding, Partnerships, Grant funding & encourage developers to use contractors and local labour
Other Service delivery and communication	
Is a information package handed to the new customer? (Yes/No)	No
Does the municipality have training or information sessions to inform the community? (Yes/No)	Yes
Are customers treated in a professional and humanly manner? (Yes/No)	Yes

2 Part 2 – Supporting Documentation

2.1 Overview of the annual budget process

Section 53 of the MFMA requires the Executive Mayor of the municipality to provide general political guidance in the budget process and the setting of priorities that must guide the preparation of the budget. In addition Chapter 2 of the Municipal Budget and Reporting Regulations states that the Executive Mayor of the municipality must establish a Budget Committee to provide technical assistance to the Mayor in discharging the responsibilities set out in section 53 of the Act.

The Budget Committee consists of the Municipal Manager and senior officials of the municipality meeting under the chairpersonship of the MMC for Finance.

The primary aim of the Budget Committee is to ensure:

- that the process followed to compile the budget complies with legislation and good budget practices;
- that there is proper alignment between the policy and service delivery priorities set out in the City's IDP and the budget, taking into account the need to protect the financial sustainability of municipality;
- that the municipality's revenue and tariff setting strategies ensure that the cash resources needed to deliver services are available; and
- that the various spending priorities of the different municipal departments are properly evaluated and prioritised in the allocation of resources.

2.1.1 Budget Process Overview

In terms of section 21 of the MFMA the Mayor is required to table in Council ten months before the start of the new financial year (i.e. in August 2014) a time schedule that sets out the process to revise the IDP and prepare the budget.

The Executive Mayor tabled in Council the required IDP and budget time schedule on 30 August 2014. Key dates applicable to the process were:

PHASES	ACTIVITIES	RESPONSIBLE	DATES
Phase 1 Planning Process			
	Adoption of IDP/ budget Process Plan	IDP unit and BTO	August 2014
	Presentation to IDP/ budget task team	IDP Unit	August 2014
Strategic IDP/Budget workshop for Mayoral Committee and Senior Management	Presentation to councillors	IDP and BTO	October 2014
	Review of 2014/15 public participation to determine the following • What needs to be improved for the public participation • What are the possible alternatives for the next public participation?	IDP unit and BTO	October 2014
	• Review 1st quarter performance • Determine service delivery priorities • Agree on MTFF and it assumptions. • Agree on initial cash limits for each department	IDP unit and BTO	October 2014
	MEC comments review	IDP Unit	Oct/Nov 2014
	Executive Managers/Managers complete stage 1 IDP/Budget input forms.	All Departments	November 2014
	Public Participation Process	Exec. Mayor	Oct- Nov 2014
Phase 2 Analysis			
Community and stakeholder analysis	Community and stakeholder register	Office of the Speaker	October 2014
	Consideration of economic priorities	Financial Services	Oct/Nov 2014
	Institutional analysis	Corporate Services	Oct/Nov 2014
	Spatial Priorities	Planning and Development	Oct/Nov 2014
	Socio-Economic Priorities	IDP Unit	Oct/Nov 2014
	Institutional transformation	All Departments	Oct/Nov 2014
	Compliance with IDP legal framework	The entire municipality	Oct/Nov 2014
	Alignment of Priorities	IDP unit	Oct/Nov 2014
PHASE 3 STRATEGIES			
	Vision and Mission	The entire municipality	October 2014

	Objectives and development priorities	The entire municipality	October 2014
	Programme and Project Identification	The entire municipality	October 2014
PHASE 4 PROGRAMME AND PROJECTS			
Project &programme proposals	Priority Programmes and Projects	All Departments	
Project costing	CAPEX and OPEX costing	BTO	
	Setting of project targets and indicators	All Departments	December 2014
PHASE 5 INTEGRATION			
	MEC comments	IDP unit	
	Sectoral plans		December 2014
	Operational plans	All Departments	
	Performance review	M& E	December 2014
	• Agreement on the 2014/15 adjustment budget • Agreement on changes proposed by Executive Mayor and Councillors on IDP/Budget	IDP and BTO	January 2015
	Tabling of the midyear performance review and 2014/15 annual report	Executive Mayor	February 2015
	Submission of stage II input forms by Executive Managers and Manager	All Department	February 2015
PHASE 6 APPROVAL			
	Tabling of the IDP/Budget to Portfolios	IDP/Budget Office	March 2015
	Tabling of the draft IDP and budget to council	Executive Mayor	March 2015
	Public Notice inviting comments	IDP unit	March 2015
	Statutory Public Participation process	Exec. Mayor	April 2015
	Responses to and incorporation of comments including portfolio Committees inputs		
	Tabling of IDP and budget for consideration/ approval.	Municipal Council	May/June 2015
	Submission of the approved IDP to the MEC of Local Government	IDP unit	June/July 2015
	Approval of the SDBIP	Executive Mayor	June/July 2015
PHASE 7 IMPLEMENTATION			
	Project implementation in accordance with the SDBIP	All Departments	July 2014 – June 2015
	Monitoring	M&E	
	Review	All Departments	January 2015
	Quarterly reporting MM, MEC, council	IDP and Internal Audit Unit	Every quarter
PHASE 8 ANNUAL REVIEW			

Draft Annual Report	Submission of unaudited Draft Annual Report to MPAC	M & E	Aug 15
	Submission of the Annual Report to AG	M&E	Aug 15
	Tabling of the Annual Report	M&E	Nov/Dec 15
Oversight Report	Oversight Report made public and Submitted to National Treasury and Local Government Departments	Council	Dec 15

2.2 Overview of budget related-policies

2.3.1 Various policies approved by Council underpin governance and the financial functioning of the municipality and are relevant to the budget process. The purpose of this section of the Budget Report is to indicate the key policies in this regard and to seek approval for any new or amended policies by Council.

2.3.2 The following budget related policies were approved by Council for the implementation in the 2010/11, 2011/12, 2013/14 and 2014/15 financial years remain in force for the 2015/16 financial year:

1. Write Off Policy
2. Sports & Recreation Facilities Tariff Policy
3. General Tariff Policy
4. Funding & Reserves Policy
5. Directives for Deviations from the normal SCM Process
6. Public Safety Tariff Policy
7. Development Contribution for Engineering Services Policy
8. Water Services By-laws

2.2.3 Review of Supply Chain Management Policy

Changes are proposed to the 2014/2015 Property Supply Chain Management Policy as follows:

- ✓ B-BBEE status level of contribution" means the B-BBEE status received by a measured entity based on its overall performance using the relevant scorecard contained in the Codes of Good Practice on Black Economic Empowerment" **(page 4)**

- ✓ "goods" means all the equipment, machinery, and / or other materials that the supplier is required to supply to the purchaser under the contract; **(page 4)**
- ✓ "services" means those functional services ancillary to the supply of the goods, such as transportation and any other incidental services, such as installation, commissioning, provision of technical assistance, training, catering, gardening, security, maintenance and other such obligations of the supplier covered under the contract. **(page 5)**

  (c) membership fees payable to professional bodies;

  (d) purchase of license fees and

  (e) tuition and enrolment payable through bursaries. **(page 8)**

  at least three written quotations for procurements of a transaction value over R2 000 up to R30 000 (VAT included);

  (c) request for quotations advertised on the website for 7 days for procurements of a transaction value over R30 000 up to R200 000 (VAT included); **(page 15)**

  (ii) formal written price quotations be obtained for any specific procurement of a transaction value lower than R 30 000;**(page 15)**

  (iii) request for quotations advertised on the website for any specific procurement of a transaction value between R 30 000 and lower than R 200 000;**(page 15)**

- ✓ **Only valid quotations and bids may be considered. Bidders should be requested to: (page 16 & 17)**

  (i) submit quotations valid for a period of 30 days;

  (ii) in cases of quotations advertised on the website, submit quotations valid for 60 days;

  (iii) in cases of tenders, bidders should be required to submit bids valid for a period not exceeding 90 days. For construction related tenders and in exceptional circumstances, not exceeding 120 days.

  (vi) an extension of bid validity, if justified, should be requested in writing from all bidders before the expiry date. the extension should be for the minimum period required to complete the evaluation, obtain the necessary approvals and award the contract.

- ✓ **(2) Uplifting of Township-based suppliers (page 17 &18)**

The accounting officer must –

(a) keep a list of accredited prospective Mogale Township-based suppliers of goods and services that may be used for the procurement requirements through written or verbal quotations and formal written price quotations; and

(b) at least twice a year through newspapers commonly circulating locally, the website and notice boards, invite local suppliers to update details as well as apply for listing. The list should be updated to include newly established local businesses.

(c) the sourcing of quotations must be done without marginalizing other prospective suppliers outside townships.

(d) the invitation of price quotations from the List of Township-based suppliers should be done on a rotational basis to promote ongoing competition amongst locally based suppliers.

(e) in order to ensure fairness, quotations must be sourced from local Township-based suppliers, cooperatives and other listed suppliers outside the townships.

- ✓ **(3) Promotion and development of cooperatives (page 18 & 19)**

The accounting officer must –

(a) the establishment of a database of pre-qualified service providers that are cooperatives for prioritized commodities / services. Procurement should be targeted for RFQ process only, that means that the procurement should not exceed R 200 000.

(b) an advertisement should be open to all cooperatives to ensure competitiveness;

(c) when sourcing quotations for identified services / goods, Mogale City may rotate suppliers from both supplier databases (ie supplier database and cooperative database) to ensure equal opportunities and fairness in the process;

(d) once the database of cooperatives is established, control measures should be put in place to ensure that rotation is done in a manner that guarantees equal opportunity for all registered cooperatives. The criteria for listing of cooperatives should be established and standards should be set that cooperatives should meet to be eligible to register. The database should be updated regularly to allow new entrants an opportunity to be developed.

(e) the development and promotion of cooperatives should also be encouraged through sub-contracting in the bidding processes. The Accounting Officer (through the Bid Specification Committee) may include a condition in its bidding documents for prioritized commodities or services that:

"a successful bidder must sub-contract a pre-determined percentage of its work to cooperatives identified by Mogale City".

(f) This will ensure that even if cooperatives does not win a contract according to the point scoring, they are still guaranteed work by the municipality through sub-contracting.

(g) the condition to sub-contract a certain percentage of the contract should be made public through the advertisement;

(h) the project manager, in conjunction with the contractor and consultant, should decide on the appointment of a cooperative for sub-contracting purposes using the list of approved cooperatives on a justifiable basis.

(3) The accounting officer should satisfy himself that the applicable procurement processes were followed by obtaining any other information, including but not limited to, the following documents from the other organ of state: **(page 33)**

(i) the bid advertisement;

(ii) Bid Evaluation report;

(iii) Bid Adjudication report and minutes;

(iv) Acceptance letter;

(v) Service Level Agreement.

(4) Municipalities should consult with Gauteng Provincial Treasury on the intention to partake in a contract secured by another organ of state.

✓ (2) SCM Practitioners must complete the Request for Verification with the details of recommended service provider's shareholders/directors/members before award of the bid and sent it to the call centre of Gauteng Provincial Treasury for verification on the PERSAL system.**(page 43)**

✓ (3) The state employees' data in the PERSAL system will be used to facilitate the identification of companies that have tendered for contracts while they are owned by employees of national or provincial government departments.**(page 43)**

- ✓ **Annual submission of procurement plans (page 47)**

52. **The following information must be submitted to Gauteng Provincial Treasury:**

(a) Approved procurement plans containing all planned procurement for the financial year in respect of the procurement of goods, works and / or services which exceed R 200 000 (all applicable taxes included) by not later than 31 July of each year. The procurement plan must be furnished in the format as prescribed by Provincial Treasury.

(b) Bi-annual reports on the implementation of the procurement plans by not later than a month preceding the end of the two quarters. The first bi-annual report is due by not later that the 15th of January and the annual report on the implementation of the procurement plans is due by not later than the 30th of July annually in the format as prescribed by Provincial Treasury.

2.2.4 Review of Property Rates Policy

Changes are proposed to the 2014/2015 Property Rates Policy as follows:

1. Amendment – State owned properties are now called- Public Service purpose properties.

2. Amendment – section 7.1.11. State owned properties is the new category

3. Amendment – section 13.1. (e) Properties used for public service purpose should be considered for rebates.

4. Under Section 18.1.the validity of the General valuation roll will be 5 years with the implementation of the MPRA Amendment.

2.2.5 Review of credit control and debt collection policy

Changes and additions are proposed to the 2014/15 policy as follows:

-the clause, account that are 120 days and above as well as has been removed from clause 6.12.4

-the clause on salary ranges has been changed as follows

- Net salary range earned by the consumer:
  - R 1 000 – R 2 999 20 % of the outstanding debt
  - R 3 000 – R 5 999 25%
  - R 6 000 – R 8 999 30 %
  - R 9 000 – R 12 999 35 %
  - R 13 000 – R 15 999 45 %
  - R 16 000 – R 20 999 55%
  - R 21 000 – R 25 999 60 %
  - R 26 000 and above 65 %

-the initial payment is not applicable to staff members of Mogale City Local Municipality has been added on clause 6.14.2.1.

2.2.5 The following policies approved during 2014/15 financial year reflect no changes:

1. Budget Management Policy
2. Adjustment Budget Policy
3. Cash Management & Investment Policy
4. Long Term Planning Policy
5. Unauthorised Irregular Fruitless & Wasteful Expenditure Policy
6. Supply Chain Management Policy
7. Indigent Management Policy

All the above policies are available on the City's website, as well as the following budget related policies:

1. Immovable Property, Plant & Equipment Policy
2. Write Off Policy
3. Sports & Recreation Facilities Tariff Policy
4. General Tariff Policy
5. Virement Policy
6. Funding & Reserves Policy
7. Directives for Deviations from the normal SCM Process
8. Public Safety Tariff Policy
9. Development Contribution for Engineering Services Policy
10. Water Services By-laws

2.3 Overview of budget assumptions

2.3.1 General inflation outlook and its impact on the municipal activities

There are five key factors that have been taken into consideration in the compilation of the 2015/16 MTREF:

- National Government macro-economic targets;
- The general inflationary outlook and the impact on City's residents and businesses;
- The impact of municipal cost drivers;
- The increase in prices for bulk electricity and water; and
- The increase in the cost of remuneration. Employee related costs comprise 23 per cent of total operating expenditure in the 2015/16 MTREF.

2.3.2 Interest rates for borrowing and investment of funds

The MFMA specifies that borrowing can only be utilised to fund capital or refinancing of borrowing in certain conditions. The City engages in a number of financing arrangements to minimise its interest rate costs and risk. There is no borrowing during 2015/16 financial year.

2.3.3 Collection rate for revenue services

The base assumption is that tariff and rating increases will increase at a rate slightly higher that CPI over the long term. It is also assumed that current economic conditions, and relatively controlled inflationary conditions, will continue for the forecasted term.

The rate of revenue collection is currently expressed as a percentage **(96 per cent)** of annual billings. Cash flow is assumed to be 96 per cent of billings, plus an increased collection of arrear debt from the revised credit control and debt collection policy. The performance of arrear collections will however only be considered a source of additional cash in-flow once the performance has been carefully monitored.

2.3.4 Salary increases

The Salary and Wage Collective Agreement for the period 01 July 2012 to 30 June 2015 has come to an end. The South African Local Government Association issued a press release on 03 March 2015 indicating that it tabled the following offer for salaries and wages increase:

• 2015/16 Financial Year – 4.4 per cent (inflation linked)

• 2016/17 and 2017/18 Financial Years – inflation related increase plus additional 0.25 per cent

As the negotiations are still underway, municipalities should use the above proposed guidelines in preparing their 2015/16 budgets.

2.3.5 Impact of national, provincial and local policies

Integration of service delivery between national, provincial and local government is critical to ensure focussed service delivery and in this regard various measures were implemented to align IDPs, provincial and national strategies around priority spatial interventions. In this regard, the following national priorities form the basis of all integration initiatives:

- Local Government Back to Basics Strategy
- Creating jobs;
- Expanding investment in infrastructure
- Enhancing education and skill development;
- Improving Health services;
- Rural development and agriculture; and
- Fighting crime and corruption.

To achieve these priorities integration mechanisms are in place to ensure integrated planning and execution of various development programs. The focus will be to strengthen the link between policy priorities and expenditure thereby ensuring the achievement of the national, provincial and local objectives.

The medium-term expenditure framework (MTEF) presented by Minister of Finance in February 2015 indicates that the 2015 Budget allocates resources to core social and economic priorities while containing aggregate expenditure growth. Spending plans give effect to the priorities of the NDP and the MTSF. Initiatives under way include: large public-sector infrastructure investments in electricity and transport; expanded partnerships to encourage private investment; better cooperation between government, the private sector, trade unions and civil society; incentives to attract new entrants in the economy; special economic zones to boost exports; programmes to reshape the urban spatial landscape; and programmes to improve the quality of education and skills development.

MFMA Circular No 75 encourages municipalities to renew their focus on core service delivery functions and reduce costs without adversely affecting basic services. Furthermore they must ensure that efficiency gains, eradication of non-priority spending (cost containment measures) and the reprioritisation of expenditure relating to core infrastructure continue to inform the planning framework.

The state of the economy has an adverse effect on the consumers. As a result municipalities' revenues and cash flows are expected to remain under pressure. Furthermore municipalities should carefully consider affordability of tariff increases, especially as it relates to domestic consumers while considering the level of services versus the associated cost. Municipalities should carefully consider affordability of tariff increases, especially as it relates to domestic consumers while considering the level of services versus the associated cost. Municipalities should also pay particular attention to managing revenue effectively and carefully evaluate all spending decisions.

2.3.6 Cash Flow Management

Cash flow management and forecasting is a critical step in determining if the budget is funded over the medium-term. The table below is consistent with international standards of good financial management practice and also improves understandability for councillors and management. Some specific features include:

- Clear separation of receipts and payments within each cash flow category;
- Clear separation of capital and operating receipts from government, which also enables cash from 'Ratepayers and other' to be provide for as cash inflow based on actual performance. In other words the *actual collection rate* of billed revenue., and
- Separation of borrowing and loan repayments (no set-off), to assist with MFMA compliance assessment regarding the use of long term borrowing (debt).

Table 25 MBRR Table A7 - Budget cash flow statement

GT481 Mogale City - Table A7 Budgeted Cash Flows

Description	Ref	2011/12	2012/13	2013/14	Current Year 2014/15				2015/16 Medium Term Revenue & Expenditure Framework		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
CASH FLOW FROM OPERATING ACTIVITIES											
Receipts											
Property rates, penalties & collection charges		300 098	322 147	375 912	338 425	355 579	355 579	355 579	380 150	403 000	433 149
Service charges		864 111	906 390	952 969	1 243 339	1 209 865	1 209 865	1 209 865	1 350 542	1 518 481	1 732 388
Other revenue		224 625	88 261	166 424	409 068	379 924	379 924	379 924	194 402	88 172	92 296
Government - operating	1	198 644	224 377	233 575	250 984	253 630	253 630	253 630	274 720	303 035	332 388
Government - capital	1	103 357	120 383	109 235	122 012	118 250	118 250	118 250	141 157	156 791	168 682
Interest		14 919	23 886	27 142	15 201	38 138	38 138	38 138	40 237	42 450	44 700
Dividends		13		34					–	–	–
Payments											
Suppliers and employees		(1 467 135)	(1 400 128)	(1 524 575)	(2 030 297)	(2 104 144)	(2 104 144)	(2 104 144)	(1 977 841)	(2 141 238)	(2 341 758)
Finance charges		(45 285)	(45 421)	(55 300)	(58 067)	(53 067)	(53 067)	(53 067)	(56 035)	(51 944)	(48 308)
Transfers and Grants	1	(19 893)	(32 510)	(25 462)	(40 650)	(39 620)	(39 620)	(39 620)	(64 439)	(42 136)	(44 453)
NET CASH FROM/(USED) OPERATING ACTIVITIES		**173 454**	**207 386**	**259 954**	**250 015**	**158 555**	**158 555**	**158 555**	**282 892**	**276 612**	**369 086**
CASH FLOWS FROM INVESTING ACTIVITIES											
Receipts											
Proceeds on disposal of PPE		9 592	–	1 161	2 000	–	–	–	50 000	–	–
Decrease (Increase) in non-current debtors		–				–	–	–	–	–	–
Decrease (increase) other non-current receivables		–				–	–	–	–	–	–
Decrease (increase) in non-current investments		–				–	–	–	–	–	–
Payments											
Capital assets		(168 959)	(323 911)	(222 054)	(483 996)	(461 909)	(461 909)	(461 909)	(293 360)	(201 969)	(216 353)
NET CASH FROM/(USED) INVESTING ACTIVITIES		**(159 367)**	**(323 911)**	**(220 893)**	**(481 996)**	**(461 909)**	**(461 909)**	**(461 909)**	**(243 360)**	**(201 969)**	**(216 353)**
CASH FLOWS FROM FINANCING ACTIVITIES											
Receipts											
Short term loans		–		–		–	–	–	–	–	–
Borrowing long term/refinancing		–	190 994	–	239 500	239 500	239 500	239 500	–	–	–
Increase (decrease) in consumer deposits		958	–	–	727	–	–	–	–	–	–
Payments											
Repayment of borrowing		(10 605)	(28 080)	(32 519)	(28 621)	(30 993)	(30 993)	(30 993)	(41 173)	(33 684)	(106 093)
NET CASH FROM/(USED) FINANCING ACTIVITIES		**(9 647)**	**162 914**	**(32 519)**	**211 606**	**208 507**	**208 507**	**208 507**	**(41 173)**	**(33 684)**	**(106 093)**
NET INCREASE/ (DECREASE) IN CASH HELD		**4 440**	**46 388**	**6 541**	**(20 375)**	**(94 847)**	**(94 847)**	**(94 847)**	**(1 641)**	**40 959**	**46 640**
Cash/cash equivalents at the year begin:	2	**39 336**	**43 775**	**90 163**	**27 267**	**96 705**	**96 705**	**96 705**	**1 858**	**217**	**41 176**
Cash/cash equivalents at the year end:	2	**43 775**	**90 163**	**96 705**	**6 892**	**1 858**	**1 858**	**1 858**	**217**	**41 176**	**87 816**

The above table shows that cash and cash equivalents of the City remains positive from 2011/12, 2014/15 financial year and over the MTREF.

2.3.7 Cash Backed Reserves/Accumulated Surplus Reconciliation

This following table meets the requirements of MFMA Circular 42 which deals with the funding of a municipal budget in accordance with sections 18 and 19 of the MFMA. The table seeks to answer three key questions regarding the use and availability of cash:

- What are the predicted cash and investments that are available at the end of the budget year?
- How are those funds used?
- What is the net funds available or funding shortfall?

A surplus would indicate the cash-backed accumulated surplus that was/is available. A shortfall (applications > cash and investments) is indicative of non-compliance with section 18 of the MFMA requirement that the municipality's budget must be 'funded'.

Table 26 MBRR Table A8 - Cash backed reserves/accumulated surplus reconciliation

GT481 Mogale City - Table A8 Cash backed reserves/accumulated surplus reconciliation

Description	Ref	2011/12	2012/13	2013/14	Current Year 2014/15				2015/16 Medium Term Revenue & Expenditure Framework		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
Cash and investments available											
Cash/cash equivalents at the year end	1	43 775	90 163	96 705	6 892	1 858	1 858	1 858	217	41 176	87 816
Other current investments > 90 days		0	0	0	(0)	(0)	(0)	(0)	0	0	0
Non current assets - Investments	1	38 244	47 108	53 935	62 084	62 084	62 084	62 084	63 559	63 559	63 559
Cash and investments available:		**82 019**	**137 271**	**150 639**	**68 975**	**63 942**	**63 942**	**63 942**	**63 776**	**104 735**	**151 375**
Application of cash and investments											
Unspent conditional transfers		13 874	7 984	8 183	–	–	–	–	–	–	–
Unspent borrowing		–	–	–	–	53 200	53 200		–	–	–
Statutory requirements	2	68 725	70 832	70 446	70 832	70 446	70 446	70 446	65 446	20 446	40 446
Other working capital requirements	3	35 530	43 059	117 810	(99 383)	(143 659)	(143 659)	(143 659)	(78 991)	(33 863)	(56 534)
Other provisions		14 147	9 776	12 013	18 671	12 013	12 013	12 013	13 215	13 215	13 215
Long term investments committed	4	59 323	46 659	53 332	62 084	62 084	62 084	62 084	63 559	63 559	63 559
Reserves to be backed by cash/investments	5										
Total Application of cash and investments:		**191 598**	**178 309**	**261 784**	**52 203**	**54 084**	**54 084**	**884**	**63 229**	**63 357**	**60 686**
Surplus(shortfall)		**(109 579)**	**(41 038)**	**(111 145)**	**16 772**	**9 858**	**9 858**	**63 058**	**547**	**41 378**	**90 689**

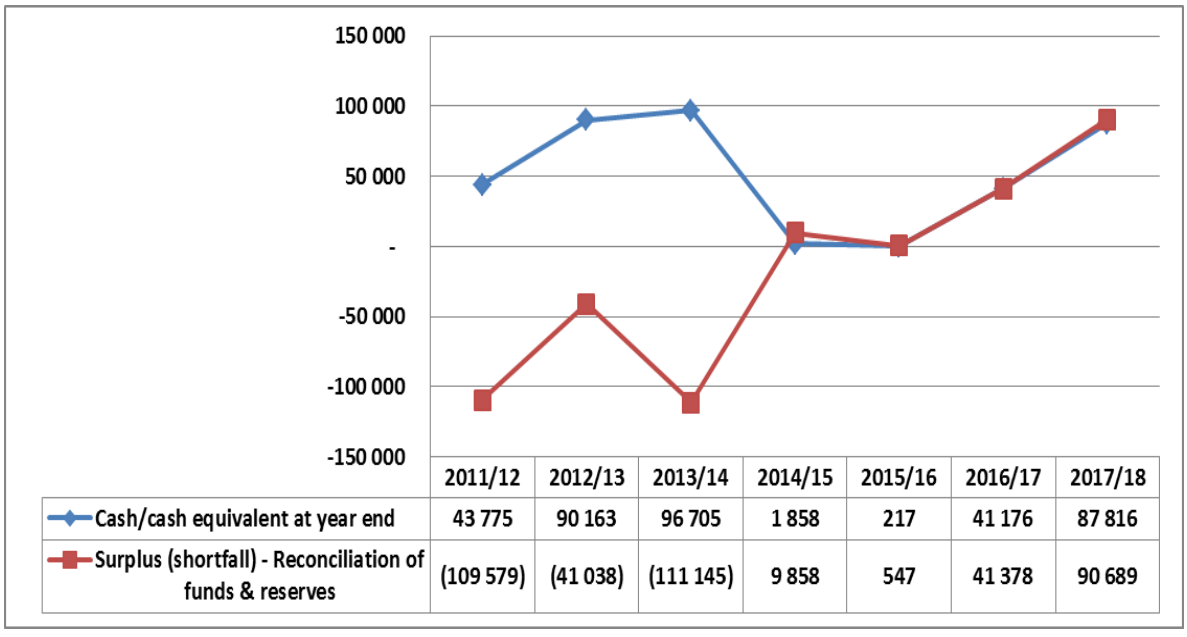
The following is a breakdown of the application of this funding:

- Unspent conditional transfers (grants) are automatically assumed to be an obligation as the municipality has received government transfers in advance of meeting the conditions. Ordinarily, unless there are special circumstances, the municipality is obligated to return unspent conditional grant funds to the national revenue fund at the end of the financial year. In the past these have been allowed to 'roll-over' and be spent in the ordinary course of business, but this practice has been discontinued.

- The main purpose of other working capital is to ensure that sufficient funds are available to meet obligations as they fall due. A key challenge is often the mismatch between the timing of receipts of funds from debtors and payments due to employees and creditors**. Any underperformance in relation to collections could place upward pressure on the ability of the City to meet its creditor obligations.**

- Long term investments consist primarily of the sinking funds for the repayment borrowings. The sinking fund value is held within long term investments and must be 'held to maturity' and is not available for spending.

The following graph supplies an analysis of the trends relating cash and cash equivalents and the cash backed reserves/accumulated funds reconciliation over a seven year perspective.



	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18
Cash/cash equivalent at year end	43 775	90 163	96 705	1 858	217	41 176	87 816
Surplus (shortfall) - Reconciliation of funds & reserves	(109 579)	(41 038)	(111 145)	9 858	547	41 378	90 689

Figure 12 Cash and cash equivalents / Cash backed reserves and accumulated funds

2.4 Legislation compliance status

Compliance with the MFMA implementation requirements have been substantially adhered to through the following activities:

1. **In year reporting**
   Reporting to National Treasury in electronic format was fully complied with on a monthly basis. Section 71 reporting to the Executive Mayor (within 10 working days) has progressively improved.

2. **Internship programme**
   The City is participating in the Municipal Financial Management Internship programme since March 2004 to May 2013, currently Mogale City have absorbed permanently all five interns. During the 2014/15 financial year employed 5 interns to undergo training in various divisions of the Financial Services Department we have since absorb two interns on permanent basis. Since the introduction of the Internship programme the City has successfully employed and trained twenty six interns through this programme and majority of them were appointed in Mogale City.

3. **Budget and Treasury Office**
   The Budget and Treasury Office has been established in accordance with the MFMA.

4. **Audit Committee**
   An Audit Committee has been established and is fully functional and from 2013/14 financial year Mogale City is utilizing shared district audit committee.

5. **Service Delivery and Implementation Plan**
   The SDBIP content is based on the draft IDP, strategic plan objectives outlined. The SDBIP targets are based on the March 2015 strategic Plan will be tabled when tabling the draft budget as per. Regulation 15(3) (b) of the Budget Regulations (2009) of the MFMA.

6. **Annual Report**
   Annual report is compiled in terms of the MFMA and National Treasury requirements.

7. **Policies**
   An amendment of the Municipal Property Rates Regulations as published in Government Notice 363 of 27 March 2009 was announced in Government Gazette 33016 on 12 March 2010. The ratios as prescribed in the Regulations have been complied with.

2.5 Municipal manager's quality certificate

I Dan Mashitisho, Municipal Manager of Mogale City, hereby certify that the annual budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act, and that the annual budget and supporting documents are consistent with the Integrated Development Plan of the municipality.

Print Name: Dan Mashitisho

Municipal Manager of Mogale City (GT481)

Signature_____

Date _____